Chen Lin Education Group Holdings Limited
辰林教育集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1593

Annual Report 2020

CONTENTS

DEFINITIONS

"2021 AGM"	the annual general meeting of the Company scheduled to be held on 30 June 2021
"Articles of Association"	the amended and restated articles of association of the Company conditionally adopted on 18 November 2019 and will come into effect upon Listing (as amended, supplemented or otherwise modified from time to time)
"Amendment Decision"	the Decision of the Standing Committee of the National People's Congress on Amending the Law for Promoting Private Education of the PRC (《全國人民代表大會常務委員關於修改＜中華人民共和國民辦教育促進法＞的決定》) promulgated by Order No. 55 of the President of the PRC on 7 November 2016, and became effective on 1 September 2017
"Audit Committee"	the audit committee of the Board, comprising solely the independent non-executive Directors of the Company
"Board"	the board of Directors of the Company
"BVI"	the British Virgin Islands
"CEO"	the chief executive officer of the Company
"Chairman"	the Chairman of the Board
"Chen Lin Education Science"	Chen Lin Education Science (Jiangxi) Co., Ltd. (辰林教育科技(江西)有限責任公司), a wholly-foreign owned enterprise incorporated under the laws of the PRC with limited liability on 5 September 2018 and indirect wholly-owned by the Company
"Chen Lin Elite Holdings"	Chen Lin Elite Holdings Limited, a company incorporated under the laws of the BVI on 5 July 2018 and wholly-owned by Huangyulin Holdings
"China" or "PRC"	the People's Republic of China, unless otherwise stated, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan of China herein
"Contractual Arrangements"	certain contractual arrangements entered by us on 15 September 2018
"Company" or "our Company"	Chen Lin Education Group Holdings Limited (辰林教育集團控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on 25 May 2018 and listed on the Stock Exchange on 13 December 2019 (Stock Code: 1593)
"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, namely Nanchang Di Guan, JAUS, Ruicheng Education and Jishi College

DEFINITIONS

"CG Code"	the Corporate Governance Code as set out in Appendix 14 of the Listing Rules
"Director(s)"	the director(s) of the Company
"double qualification teachers"	full-time teachers with title of lecturer and above in addition to professional qualification or industry experience
"Gao Kao"	also known as the National Higher Education Entrance Exam, an academic examination held annually in the PRC, and a prerequisite for entrance into most higher education institutions at the undergraduate level in the PRC
"Group", "we" or "us"	the Company and all of its subsidiaries and companies whose financial results have been consolidated and accounted as the subsidiaries of our Company by virtue of the Contractual Arrangements, or, where the context so requires, in respect of the period before our Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"HK$" and "HK cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huangguandi Holdings"	Huangguandi Holdings Limited, a company incorporated under the laws of the BVI on June 13, 2018 and wholly-owned by Mr. Huang Guandi
"Huangyuan Holdings"	Huangyuan Holdings Limited, a company incorporated under the laws of the BVI on 13 June 2018 and wholly-owned by Ms. Huang Yuan
"Huangyulin Holdings"	Huangyulin Holdings Limited, a company incorporated under the laws of the BVI on 22 May 2018 and wholly-owned by Mr. Huang
"IFRSs"	the International Financial Reporting Standards
"Jishi College"	Jiangxi Wenli Jishi College (江西文理技術學院), a full-time vocational college established in November 2019, which offers vocational programs
"JUAS"	Jiangxi University of Applied Science (江西應用科技學院), a private institution which offers both undergraduate and junior college programs, established on 11 April 2002, and the sponsor of which is Nanchang Di Guan, one of the Consolidated Affiliated Entities
"Listing"	listing of the Shares on the Main Board of the Stock Exchange

DEFINITIONS

"Listing Date"	the date on which the Shares initially commenced their dealings on the Stock Exchange, i.e. 13 December 2019
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Model Code"	the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules
"MOE"	the Ministry of Education of the PRC (中華人民共和國教育部)
"MOE Draft for Comments"	the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Comments) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(徵求意見稿)》) issued by the MOE on 20 April 2018 to seek public comments
"MOJ"	the Ministry of Justice of the PRC (中華人民共和國司法部)
"MOJ Draft for Comments"	the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) issued by the MOJ on 10 August 2018 to seek public comments
"Nanchang Di Guan"	Nanchang Di Guan Education Consultancy Co., Ltd. (南昌迪冠教育諮詢有限公司), a company established under the laws of the PRC with limited liability on 17 September 2009, being the sponsor of JAUS, and by virtue of the Contractual Arrangements, accounted for as our subsidiary
"Prospectus"	the prospectus issued by the Company dated 27 November 2019
"Reporting Period"	the year ended 31 December 2020
"RMB"	Renminbi, the lawful currency of the PRC
"RSU Scheme"	the restricted share unit scheme adopted by our Company on 20 August 2019
"RSU(s)"	restricted share units granted pursuant to the RSU Scheme
"Ruicheng Education"	Nancheng Richeng Education Consultancy Co., Ltd. (南昌市瑞誠教育諮詢有限公司), a company established under the laws of the PRC with limited liability on 24 June 2020, being the sponsor of Jishi College
"senior management"	the senior management of the Company

DEFINITIONS

"Share(s)"	ordinary share(s) of HK$0.0001 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$"	United States dollars, the lawful currency of the United States
"%"	per cent

CORPORATE PROFILE

BOARD OF DIRECTORS

Executive Directors

Mr. Huang Yulin *(Chairman and CEO)*
Mr. Li Cunyi
Mr. Bau Siu Fung
Mr. Wang Li
Ms. Gan Tian

Independent Non-executive Directors

Mr. Chan Hon Ki
Mr. Chen Wanlong
Mr. Huang Juyun
Mr. Wang Donglin

AUDIT COMMITTEE

Mr. Chan Hon Ki *(Chairman)*
Mr. Huang Juyun
Mr. Chen Wanlong
Mr. Wang Donglin

REMUNERATION COMMITTEE

Mr. Chen Wanlong *(Chairman)*
Mr. Huang Juyun
Mr. Chan Hon Ki
Mr. Wang Li
Mr. Li Cunyi

NOMINATION COMMITTEE

Mr. Huang Juyun *(Chairman)*
Mr. Wang Donglin
Mr. Chen Wanlong
Mr. Li Cunyi
Ms. Gan Tian

COMPANY SECRETARY

Mr. Bau Siu Fung *(HKICPA)*

AUTHORIZED REPRESENTATIVES

Mr. Huang Yulin
Mr. Bau Siu Fung *(HKICPA)*

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

COMPLIANCE ADVISOR

First Shanghai Capital Limited
19/F., Wing On House
71 Des Voeux Road Central
Hong Kong

LEGAL ADVISOR

As to Hong Kong law
William Ji & Co. LLP
in Association with Tian Yuan Law Firm Hong Kong Office
Suites 3304–3309, 33/F
Jardine House
One Connaught Place
Central
Hong Kong

STOCK CODE

1593

REGISTERED OFFICE IN THE CAYMAN ISLANDS

190 Elgin Avenue
George Town
Grand Cayman KY1-9008
Cayman Islands

HEADQUARTER'S AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 001, Xinjian Lianfu Dadao
Nanchang
Jiangxi, PRC

CORPORATE PROFILE

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1-9008
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 BANKER

China Construction Bank, Jiangxi Branch,
Xin Jian sub-branch
No. 280, Jiefang Road
Xiu Jian District
Nanchang, Jiangxi
PRC

COMPANY'S WEBSITE

www.chenlin-edu.com

FINANCIAL PERFORMANCE HIGHLIGHTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**288,029**	251,092	214,962	182,895	166,039
Cost of revenue	**(100,387)**	(79,905)	(61,659)	(52,778)	(53,811)
Gross profit	**187,642**	171,187	153,303	130,117	112,228
Profit and total comprehensive income for the year	**77,459**	83,570	83,234	69,973	41,145

CONDENSED CONSOLIDATED BALANCE SHEET

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	**1,473,612**	897,179	802,664	713,325	695,939
Current assets	**542,961**	584,514	61,408	106,815	77,096
Total assets	**2,016,573**	1,481,693	864,072	820,140	773,035
Equity and liabilities					
Total equity	**876,378**	789,797	220,136	136,900	66,927
Non-current liabilities	**554,451**	356,136	377,917	334,924	263,801
Current liabilities	**585,744**	335,760	266,019	348,316	442,307
Total liabilities	**1,140,195**	691,896	643,936	683,240	706,108
Total equity and liabilities	**2,016,573**	1,481,693	864,072	820,140	773,035

CHAIRMAN'S STATEMENT

Dear Shareholders and investors,

On behalf of the Board of Chen Lin Education Group Holdings Limited, I am pleased to present you our annual report for 2020 for the year ended 31 December 2020.

During the challenging year of the novel coronavirus ("**COVID-19**") pandemic in 2020, with your support and the united efforts of our employees, the Company achieved incremental growth in revenue from its main business, with total revenue of approximately RMB288.0 million, representing an increase of approximately 14.7% as compared to that of 2019. In the school year of 2020/2021, the number of students enrolled in our undergraduate programs increased by approximately 50.8% to 8,029, and the number of students enrolled in our junior college programs decreased by approximately 1.1% to 8,735. Due to the impact of the pandemic, our education related services business declined compared to last year. In 2020, our human resources expenses increased significantly as a result of the acquisition of schools to manage our talent pool and to improve the remuneration of teachers, in order to optimize the operating conditions. For the year ended 31 December 2020, our profit was approximately RMB77.5 million, representing a decrease of approximately 7.3% as compared to that of 2019. We acquired Jiangxi Wenli Jishi College ("**Jishi College**") (江西文理技師學院) on 23 December 2020 at a consideration of RMB188.0 million. Upon completion of the acquisition, we have one undergraduate and junior college institution, Jiangxi University of Applied Science (江西應用科技學院) ("**JAUS**") and one vocational institution in the Jiangxi Province, allowing us to share resources and achieve benefit from synergies and economies of scale, and increasing our number of enrolled students to 21,990. The acquisition has also enabled us to successfully expand our services to vocational institutions.

As a result of the extensive awareness and active promotion brought by the successful listing, coupled with the renovation that increased the availability of our residence halls, the recruitment of new students in our JAUS significantly increased by 47.7% in the school year 2020/2021, from 4,825 to 7,127 as compared to the previous school year. The attendance rate for the JAUS year 2020/2021 also reached 91%. The JAUS are also stepping up with the second phase construction of the campuses that covers nearly 200,000 square meters, and it will be partially completed and ready for use in 2021. The new campus area of Jishi College acquired in the year of 2020, occupies a total area over approximately 133,000 square meters and can accommodate about 15,000 students. The construction of the new campus area of Jishi College is planned to commence by the end of 2021, and is expected to be partially completed and ready for use for the new semester in September 2022.

In 2020, our schools received national and provincial/municipal awards for teaching achievements, including the first place in the National College Mechanical Innovation Competition (National Level) (全國大學生機械創新設計大賽(國家級)一等獎) and the gold medal in the 15th China International Chorus Festival (National Competition) (第十五屆中國國際合唱節(國賽)金獎). The schools' philosophy of education is to nurture students to possess skills and take responsibilities. In 2020, our students and schools were awarded the Advanced Individuals and Advanced Groups for Youth Volunteerism in Fighting Against COVID-19 (抗擊新冠肺炎疫情青年志願服務先進個人和先進集體) at the national level. We provide higher education and vocational education services to more enterprises and local economies, actively nurture practical and committed talents to bring new dynamics to China's development, and continue to fulfill our educational mission and social responsibilities.

CHAIRMAN'S STATEMENT

The Ministry of Education of China has issued a policy for the conversion of independent colleges. We will actively identify potential institutions for strategic acquisitions, and at the same time, focus on the domestic high school market in order to further improve the quality of education and provide internal growth and protect the foundation of student recruitment. We will be prudent at each step to ensure steady return for our Shareholders with our best performance.

Finally, on behalf of the Board, I would like to express my sincere gratitude to other Directors, the management team and all employees of the Group for their efforts and contributions during the year of 2020. I would also like to express my appreciation to all Shareholders and business partners for their continuous support.

Huang Yulin
Chairman
Nanchang, the PRC
25 March 2021

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

The brief profiles of our current Directors and senior management are as below:

DIRECTORS

The Board currently comprises nine Directors, of which five are executive Directors, and four are independent non-executive Directors. The following table sets forth information regarding the Directors.

Name	Age	Position	Date of Appointment as Director
Executive Directors			
Mr. Huang Yulin	59	Chairman, executive Director and CEO	25 May 2018
Mr. Li Cunyi	74	Executive Director	21 September 2018
Mr. Bau Siu Fung	53	Executive Director, Chief financial officer and Company secretary	21 September 2018
Mr. Wang Li	38	Executive Director and Vice president	21 September 2018
Ms. Gan Tian	36	Executive Director and Vice president	21 September 2018
Independent non-executive Directors			
Mr. Chan Hon Ki	42	Independent non-executive Director	18 November 2019
Mr. Chen Wanlong	57	Independent non-executive Director	18 November 2019
Mr. Huang Juyun	57	Independent non-executive Director	18 November 2019
Mr. Wang Donglin	66	Independent non-executive Director	18 November 2019

Executive Directors

Mr. Huang Yulin (黃玉林), aged 59, is our executive Director, the Chairman and CEO. Mr. Huang is responsible for the overall management, strategic planning and decision-making of our Group. Mr. Huang is also the chairman of the board of directors of JAUS. Mr. Huang is the father-in-law of Mr. Wang Li.

Mr. Huang has over 20 years of experience in the education industry. Prior to joining our Group, Mr. Huang worked at the Ganzhou Department of Personnel and Labour Bureau (贛州行署勞動人事局) and acted as the legal representative and the chairman of Jiangxi Science and Engineering Specialist College (江西理工專修學院). Mr. Huang has been acting as the chairman of the board of directors of JAUS since 2002, where he has been in charge of the overall management of JAUS. Mr. Huang acted as the CEO from September 2018 to August 2019. Mr. Huang has been acting as the CEO since 30 October 2020 following Mr. Huang Boqi's resignation as the Company's executive Director and CEO.

Mr. Huang received his college diploma in government management and politics from Jiangxi Open University (江西廣播電視大學).

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Cunyi (李存益), aged 74, is our executive Director. Mr. Li is responsible for assisting in overall management, strategic planning and decision-making of our Group. Mr. Li is also the chairman of the board of supervisors of JAUS.

Mr. Li has extensive experience in the education industry. Mr. Li has been acting as the chairman of the board of supervisors of JAUS since March 2018. Prior to that, from November 2016 to January 2018, Mr. Li acted as the principal of JAUS, where his primary duties include overseeing the overall operation of JAUS. From January 2013 to November 2016, Mr. Li acted as the deputy principal of JAUS, where his duties include assisting the overall management, strategic planning and decision-making of JAUS. From November 2008 to December 2012, Mr. Li acted as a deputy dean of JAUS. Prior to joining our Group, from June 1985 to May 2007, Mr. Li was employed with Jiangxi Police College (江西公安專科學校) for various positions including professor and head of the academic affairs office.

Mr. Li received his bachelor's degree in Chinese language and literature from Jiangxi Normal University (江西師範大學) (formerly known as Jiangxi Normal College (江西師範學院)) in August 1982.

Mr. Bau Siu Fung (鮑小豐), aged 53, is our executive Director, company secretary and the chief financial officer of our Group. Mr. Bau is primarily responsible for formulating financial strategies for our Group as the chief financial officer of our Group.

Mr. Bau has extensive experience in the auditing, accounting and financial management industry. Prior to joining our Group, he worked as auditor in several accounting firms in Hong Kong. Mr. Bau was appointed as an executive director of Sheen Tai Holdings Group Company Limited, a company listed on the Stock Exchange (HK: 1335), while he also served as the said company's chief financial officer, company secretary and authorised representative until September 2017. Mr. Bau has been acting as an independent non-executive director of AUX International Holdings Limited, a company listed on the Stock Exchange (HK: 2080) since May 2015. Mr. Bau has also been acting as an independent non-executive director of FSM Holdings Limited, a company listed on the Stock Exchange (HK: 1721) since June 2018.

Mr. Bau holds a degree of business administration in accountancy and finance and is a non-practising member of the Hong Kong Institute of Certified Public Accountants.

Mr. Wang Li (王立), aged 38, is our executive Director and the vice president of our Company. Mr. Wang is primarily responsible for providing strategic advice on corporate developments to our Group, making recommendations on major operational matters and making managerial decisions within our Group. Mr. Wang is also a director, the principal's assistant and the head of international academic communication center of JAUS. Mr. Wang Li is the son-in-law of Mr. Huang Yulin.

Mr. Wang has over 6 years of experience in the education industry. Mr. Wang has been acting as the principal's assistant since April 2017 and the head of international academic communication center of JAUS since December 2017, as well as a director of JAUS since November 2016. Mr. Wang also served as the head of infrastructure and engineering department of JAUS from August 2014 to July 2019. Before joining our Group, from July 2004 to December 2008, Mr. Wang Li acted as the head of corporate planning department of Ganzhou Zhong Cheng Hao Jie Fang Industrial Co., Ltd. (贛州眾成好街坊實業有限公司), where he was responsible for brand promotion planning and corporate culture development. From July 2011 to September 2012, Mr. Wang served as the chief creative officer in Han Yuan Zhen Guo Planning and Design Co., Ltd. (漢元正果策劃設計有限公司), where his responsibilities include team management and creative strategic planning.

Mr. Wang received his bachelor's degree in fine arts from Gan Nan Normal University (贛南師範大學) (formerly known as Gan Nan Normal College (贛南師範學院)) in July 2004.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Gan Tian (干甜), aged 36, is our executive Director and the vice president of our Company. Ms. Gan is primarily responsible for providing strategic advice on corporate developments to our Group, making recommendations on major operational matters and making managerial decisions within our Group. Ms. Gan is also a director, the principal's assistant and the head of the international cooperation department of JAUS.

Ms. Gan has approximately 14 years of experience in the education industry. Ms. Gan served as the deputy head of the marketing and publicity department of JAUS from September 2004 to December 2004. From January 2005 to January 2011, Ms. Gan served as the head of student affairs office of JAUS, the head of art troupe of JAUS and the secretary of Youth League Committee of JAUS. Ms. Gan has been acting as the principal's assistant since January 2011, the head of the international cooperation department since April 2012, a director of JAUS since December 2015 and various other positions.

Ms. Gan received her master degree in business management from Jiangxi Normal University (江西師範大學) in June 2018, and her college diploma in business management from JAUS in July 2008.

Independent Non-executive Directors

Mr. Chan Hon Ki (陳漢淇), aged 42, is our independent non-executive Director.

Mr. Chan extensive experience in the field of auditing and accounting. From 2000 to 2010, Mr. Chan worked as auditor and accountant in several accounting firms in Hong Kong. From October 2010 to September 2011, Mr. Chan served as an assistant financial controller at Fully Foundation Limited and as a deputy financial controller at the same company from October 2011 to April 2012. From April 2012 to October 2015, Mr. Chan served as the company secretary and chief financial officer at AUX Real Estate Group Company Limited. Mr. Chan joined AUX International Holdings Limited (HK: 2080) in May 2015 and is an executive Director, finance director and a joint company secretary of the said company. He has been acting as the chief executive officer and the authorized representative of AUX International Holdings Limited since September 2019. Mr. Chan holds a bachelor's degree in commerce and is a member of the Association of Chartered Certified Accountants and a non-practising member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chen Wanlong (陳萬龍), aged 57, is our independent non-executive Director.

Mr. Chen has extensive experience in the education industry. From July 1986 to December 2000, Mr. Chen held various positions within Jiangxi University of Finance and Economics (江西財經大學) including the deputy head of taxation teaching and research office, head of taxation teaching and research office, deputy head of finance and economic faculty, deputy head of teaching office and head of teaching office. From December 2000 to August 2003, Mr. Chen worked as the deputy dean at Jiangxi Science and Technology Normal University (江西科技師範大學). From August 2003 to August 2006, Mr. Chen worked as the dean of Jiangxi Ganjiang Vocational Institution (江西贛江職業技術學院). Mr. Chen has been working as the dean of Jiangxi Institute of Fashion Technology (江西服裝學院) since August 2006.

Mr. Chen received his bachelor's degree in finance from Jiangxi University of Finance and Economics in July 1986, and his doctorate degree in industrial economics from the same university in January 2009.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Huang Juyun (黃居鋆), aged 57, is our independent non-executive Director.

Mr. Huang served as the deputy general manager of the Sunshine Life Insurance Co., Ltd. Jiangxi Branch (陽光人壽保險股份有限公司江西分公司) from July 2009 to November 2012 and served as its general manager since November 2012, where Mr. Huang has been in charge of formulating and monitoring sales targets, improving the internal control mechanisms and managing day-to-day business operations. Prior to that, Mr. Huang held various managerial positions within different branches of Taiping Life Insurance Co., Ltd. (太平人壽保險有限公司).

Mr. Huang received his bachelor's degree in Agricultural Management from Jiangxi Agricultural University (江西農業大學) in July 1991 and further received his doctorate degree in management studies from China University of Political Science and Law (中國政法大學) in June 2010.

Mr. Wang Donglin (王東林), aged 66, is our independent non-executive Director.

Mr. Wang has extensive experience in the education industry. From January 1982 to September 2000, Mr. Wang held various positions, including research assistant, lecturer, associate professor and professor, in Jiangxi Normal University (江西師範大學). From September 2000 to October 2008, Mr. Wang served as the head of the culture research center (文化研究所) of Jiangxi Normal University. Since October 2008, Mr. Wang has served in positions, including as a professor, the head of culture research center, and the head of Zheng Da research center (正大研究所) of Jiangxi Normal University. Mr. Wang has been acting as the advisor to Jiangxi People's Government since March 2017.

Mr. Wang received his bachelor's degree in History from Jiangxi Normal University (江西師範大學) in August 1982.

SENIOR MANAGEMENT

Our Group also has the following senior management members to carry out our daily operation. Our senior management is responsible for the day-to-day management of our business. For biographical details of our CEO, Mr. Huang Yulin, our Chief financial officer, Mr. Bau Siu Fung as well as our vice presidents namely Mr. Wang Li and Ms. Gan Tian, please refer to the paragraph headed "- Executive Directors" in this section.

Ms. Fang Xiaozhen (房小珍), aged 42, is our chief operating officer. Ms. Fang is primarily responsible for our Group's day-to-day operational management, formulating development strategies for our Group. Ms. Fang has been acting as the principal's assistant of JAUS since March 2014. Prior to that, from April 2002 to February 2014, Ms. Fang held various positions in JAUS, including the deputy officer of the chairman's office, the supervisor of career services center, the director of new campus construction office and the director of assets management department.

Ms. Fang received her college diploma through higher education diploma exam (高等教育學歷文憑考試) in English from JAUS in September 2002. She further obtained her master's degree in tourism management from Jiangxi Science and Technology Normal University (江西科技師範大學) in December 2015.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Chunbin (劉春斌), aged 44, is our vice president. Mr. Liu is primarily responsible for overseeing our overall educational services as the principal's assistant and the head of academic affairs office of JAUS. Mr. Liu joined our Group in April 2002. He has served as the principal's assistant since March 2015 and the head of academic affairs office of JAUS from March 2015 to April 2019.

Mr. Liu received his college's diploma in the public relations and secretarial major from Jiangxi Normal University (江西師範大學) in December 1998, a graduation certificate for self-taught higher education examinations (高等教育自學考試) in the secretarial major in June 2005 and his master's degree in engineering from Nanchang University (南昌大學) in January 2018.

Mr. Zhang Min (張敏), aged 46, is our vice president. Mr. Zhang is responsible for overseeing our education related services. Mr. Zhang is also the principal's assistant and a supervisor of JAUS.

Mr. Zhang joined our Group in March 1999 as the head of infrastructure and engineering department of JAUS and the principal's assistant. Mr. Zhang held various positions in JAUS from March 1999 to April 2018, including the director of JAUS, the head of infrastructure and engineering department, the head of JAUS's office, the head of assets management office and the head of career development office.

Mr. Zhang received his master's degree in tourism management from Jiangxi Science and Technology Normal University (江西科技師範大學) in December 2015.

Mr. Lu Dong (盧東), aged 49, is our general manager of administrative department. Mr. Lu is responsible for the overall management of our Group's administrative affairs.

Mr. Lu joined our Group in September 2003. He held various positions in JAUS, including the vice president of the career development center (職培中心) (from September 2003 to September 2004), the vice president of the library (from September 2004 to October 2005), the assistant to the dean of the computer science college (from October 2005 to October 2006), the vice president of the science and technology division of the headquarters of new campus (新校區指揮部科技處) (from October 2006 to March 2009), the president of information department (from March 2009 to April 2009) and the president of infrastructure and equipment department (from April 2009 to January 2014). Mr. Lu has been acting as the principal of the chairman's office of JAUS since January 2014.

Mr. Lu completed his undergraduate course in education science (through self-learning) and graduated from Jiangxi Normal University (江西師範大學) in December 2009. Mr. Lu further completed his undergraduate course in computer science (through correspondence) and graduated from Nanchang Hang Kong University (南昌航空大學) in January 2013.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

CHANGES IN DIRECTORS AND SENIOR MANAGEMENT

Changes in Directors

- With effect from 30 October 2020, Mr. Huang Boqi has resigned as an executive Director and the CEO.
- With effect from 30 October 2020, Mr. Huang Yulin has been appointed as the CEO.
- With effect from 23 February 2021, Mr. Zheng Junhui has resigned as an executive Director and the deputy general manager of the Company.

The details of changes in Directors were set out in the announcements of the Company dated 30 October 2020 and 23 February 2021, published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.chenlin-edu.com.

Changes in Senior Management

Mr. Lin Jiaqi resigned from his position as vice president of the Group in 2020 to pursue his other personal affairs. Save as disclosed above, there is no change in the senior management during the year ended 31 December 2020.

Changes in Director's Information

There is no change in the Director's information which is required to be disclosed in this annual report in accordance with Rule 13.51B(1) of the Listing Rules during the year ended 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are one of the leading providers of private higher education in Jiangxi Province, China, with years of experience in the private higher education industry. As at 31 December 2020, we operated one private university and one full-time vocational college located in Jiangxi Province, namely the Jiangxi University of Applied Science (江西應用科技學院) (the "**JAUS**") and Jiangxi Wenli Jishi College (江西文理技師學院) ("**Jishi College**", together with JAUS, collectively referred to as "**Schools**"), and offer undergraduate, junior college and vocational programs, as well as diverse education related services. As at 31 December 2020, our Schools had a total number of student enrollment of 21,990, consisting of 8,029 undergraduate students, 8,735 junior college students and 5,226 vocational school students. We also provide a variety of education related services including internship management services as well as tutoring and program management services to enterprises and education institutions.

Our mission is to cultivate innovative talents with practical skills and knowledge, and to provide talent support for the development of urbanization in China (為新型城鎮化建設與管理培養高層次、高技能、創新型和應用型人才). Our fundamental educational philosophy is to foster talents with "upright personality, comprehensive theoretical knowledge and practical skills (培養具有健全人格、複合專業與實踐能力的人才)" by implementing our "Three-element Talent Cultivation (三元育人)" mode. We aim to provide quality higher education services in a manner consistent with our mission and educational philosophy.

As at 31 December 2020, JAUS offered 31 undergraduate programs and 37 junior college programs; and Jishi College offered 16 vocational education programs. With a view of nurturing talents with practical skills, we are devoted to offering quality private higher education to our students and providing diversified programs and curriculums encompassing a broad range of market-oriented fields of study and career trainings, including, among others, international business, e-commerce, logistics management, internet-of-things, civil engineering, software engineering, mechanical manufacturing and automation, and robotics engineering. Based on our market research, we carefully design and regularly review and adjust our program and course offerings at our Schools. We believe our practical programs and curriculums equip our students with practical skills that meet the rapidly evolving market demand. We also cooperate with a number of sizable enterprises to provide our students with internship and potential employment opportunities. We have achieved favorable graduate employment outcome for our students.

Our Higher and Vocational Education Services

We derived approximately 89.7% of revenue from our higher education services for the year ended 31 December 2020, which include tuition fees for our undergraduate and junior college as well as boarding fees. For the year ended 31 December 2020, our revenue from tuition fees and boarding fees amounted to approximately RMB236.6 million and RMB21.9 million respectively, representing an increase of approximately 29.1% and 13.3% respectively as compared with the year ended 31 December 2019.

The following table sets forth detailed information regarding the number of student enrollment of our Schools during the school years of 2019/2020 and 2020/2021:

	Student Enrollment for the School Year		
	2020/2021	2019/2020	% change
Higher education programs carried out by JAUS			
Undergraduate programs	**8,029**	5,325	50.8
Junior college programs	**8,735**	8,830	(1.1)
Vocational education programs carried out by Jishi College			
Vocational programs	**5,226**	N/A	N/A
Total	**21,990**	14,155	55.4

Note:

(1) The operating data for student enrollment presented in this table is based on records of our Schools submitted to competent PRC education authorities at the beginning of the corresponding school year.

The following table sets forth information relation to (i) the admission quota for our higher education programs carried out by JAUS, (ii) freshman students enrolled, and (iii) average tuition fees per student for three types of programs and average boarding fees per student for the school years of 2019/2020 and 2020/2021:

	School Year		
	2020/2021	2019/2020	% change
Admission quota for our higher education programs carried out by JAUS(1)	**7,414**	7,369	0.6
Adjusted admission quota for our higher education programs carried out by JAUS(1)	**9,704**	7,494	29.5
Freshman students enrolled(2)			
— Higher education programs carried out by JAUS	**7,127**	4,825	47.7
— Vocational education programs carried out by Jishi College	**1,853**	N/A	N/A
Average tuition fees(3)			
Undergraduate programs carried out by JAUS (RMB)	**19,758**	18,508	6.8
Junior college programs carried out by JAUS (RMB)	**13,616**	12,033	13.2
Vocational programs carried out by Jishi College (RMB)	**6,800**	N/A	N/A
Average boarding fees(4)			
— Higher Education Programs carried out by Jishi College	**1,609**	1,734	(7.2)
— Vocational Education Programs carried out by Jishi College	**400**	N/A	N/A

Notes:

(1) Admission quota means the maximum number of new students the Schools can recruit in general as approved by the competent government authorities in each corresponding school year, subject to adjustment as allowed by such government authorities at a later stage.

(2) Freshman students enrolled means the actual number of newly-enrolled students in each school year. For higher education programs, admission quota granted for each school year is generally determined by competent government authorities before the Gaokao prior to such school year.

(3) Average tuition fees is calculated by dividing the total tuition fees received by student enrollment in each school year. As the acquisition of Jishi College by our Group was completed in December 2020, the tuition fees received by Jishi College in 2020 did not contribute to our revenue for year ended 31 December 2020.

(4) Average boarding fees is calculated by dividing the total boarding fees received by student enrollment in each school year. As the acquisition of Jishi College by our Group was completed in December 2020, the boarding fees received by Jishi College did not contribute to our revenue for the year ended 31 December 2020.

Our Education Related Services

In addition to tuition fees and boarding fees, we also generate income by providing a variety of education related services. Our education related services mainly include (i) internship management services, through which we introduce qualified students from our Schools and other schools to participate in various internship programs, and (ii) a variety of tutoring and program management services, including qualification exam review services, personal development training services and education program management services offered to enterprises and education institutions. For the year ended 31 December 2020, our revenue generated from education related services amounted to approximately RMB20.6 million, representing a decrease of approximately 50.1% as compared with 2019.

REGULATORY UPDATE

Amendment Decision

The Decision of the Standing Committee of the National People's Congress on Amending the Law for Promoting Private Education of the PRC (全國人民代表大會常務委員會關於修改《中華人民共和國民辦教育促進法》的決定) (the "**Amendment Decision**") became effective on 29 December 2018. Pursuant to the Amendment Decision, the school sponsors of private schools providing non-compulsory education may, at their own discretion, elect to register the schools as for-profit private schools or non-profit private schools. In addition to the Amendment Decision, state-level government authorities also issued certain implementing rules. On 30 December 2016, five state-level government authorities, including the MOE, jointly issued the Implementing Measures on Classification Registration of Private Schools (民辦學校分類登記實施細則), specifying measures for the establishment and classification registration of private schools, and procedures for existing private schools to register as for-profit and non-profit private schools pursuant to provincial rules to be promulgated by local provincial governments. The Implementing Rules for the Supervision and Administration of For-Profit Private Schools (營利性民辦學校監督管理實施細則) were issued on 30 December 2016, specifying measures concerning the establishment, modification and termination of for-profit private schools, and the educational and teaching related activities and financial management conducted by for-profit private schools. In addition, the Several Opinions on Encouraging Social Support for Education to Promote Private Education (關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見) were issued on 29 December 2016, providing policies for promoting private education.

MOJ Draft for Comments

On 20 April 2018, the MOE issued the MOE Draft for Comments, namely the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Comments) (《中華人民共和國民辦教育促進法實施條例 (修訂草案)(徵求意見稿)》), to seek public comments, and on 10 August 2018, the MOJ issued the MOJ Draft for Comments based on a revised version of the MOE Draft for Comments, namely, the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》), to seek public comments. The MOJ Draft for Comments further promotes the development of private education by providing that a private school shall enjoy rights or preferential policies stipulated by laws equivalent to those applicable to a public school, which shall primarily include: (i) a non-profit private school shall enjoy the same tax policies as that enjoyed by a public school and the relevant tax concession, and a for-profit school shall enjoy tax preferential treatments and other preferential policies applied to industries encouraged by the state for development, of which the specific provisions shall be formulated jointly by the administrative department for finance, taxation and other relevant administrative departments of the State Council; and (ii) the local people's governments shall grant preferential treatments in terms of land use by means of allocation in accordance with the principle of treating non-profit private schools equally as public schools, and for schools that provide education for academic credentials, may provide lands by means of bid invitation, auction or listing, assigning contracts, long-term lease or combination of sale as well as rental, and may give appropriate preferential treatment on charges for the assignment or rental of land, and may permit payment in instalments.

The MOJ Draft for Comments stipulates further provisions of the operation and management of private schools, such as our School. Among other things, (i) a non-profit private school shall use the accounts filed with the competent authorities for charging fees and financial transactions, and a for-profit private school shall deposit the income into a specific settlement account of its own; (ii) a private school shall conduct any connected transactions in a manner that is open, justified and fair and shall establish disclosure mechanisms for such transactions. Any agreement involving material interests or any long-term and recurring agreement entered into between a non-profit private school and its connected party shall be reviewed and audited by the relevant government authorities in terms of necessity, legitimacy and compliance; and (iii) the registered capital of a for-profit private school providing higher diploma education shall be no less than RMB0.2 billion.

So far as our Directors are aware, during the year ended 31 December 2020 and up the date of this report, there is no material regulatory updates in relation to (i) the foreign investment in the education sector in the PRC; and (ii) the private education sector in the PRC.

We have established a special committee (the "**Special Committee**") to (i) pay close attention to the latest development of the relevant laws, regulations and policies on private education sector in the PRC (the "**Relevant Rules**") and hold periodic meetings to discuss such development; (ii) where necessary, engage professional advisors, including PRC legal advisors, at the cost of the Company, to assist the Special Committee to understand the latest development of the Relevant Rules; and (iii) report and make recommendations to the Board for final decision based on the research reports and/or independent and professional advice as well as the Special Committee's major findings and preliminary conclusions. The Special Committee is chaired by Mr. Huang Yulin and comprises (i) three senior management members of our Company; (ii) two independent non-executive Directors with extensive experience in the education industry; and (iii) four senior management members of the Schools who are responsible for the day-to-day management and operation affairs of the Schools.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS RELATING TO OUR BUSINESS

There are certain risks involved in our operations and our prospects and future financial results could be materially and adversely affected by these risks. The following highlights the principal risks exposed to the Group and is not meant to be exhaustive:

- we are subject to uncertainties brought by the Amendment Decision and the MOJ Draft for Comments;
- our business is largely dependent on the market recognition of our brand and the reputation of our Schools and our Group;
- we generate a substantial portion of our revenue from operating one university in Jiangxi Province;
- we may be exposed to liquidation risks, and our business, financial condition and results of operation may be materially and adversely affected as a result;
- the level of tuition and boarding fees we are able to charge and our ability to maintain and raise the level of tuition and boarding fees are crucial to our business;
- our business operations depend on our ability to recruit and retain our senior management, qualified teachers and other professional employees;
- we may not be able to maintain good relationship with our existing cooperative enterprises, successfully compete with our competitors or find new cooperative enterprises, any of which may materially and adversely affect the business and prospects of our internship management service; and
- we may not be able to successfully deliver and expand our tutoring and program management services, which could adversely affect our business and prospects.

OUTLOOK AND GROWTH STRATEGIES

The private higher education sector in China has been growing rapidly in recent years primarily driven by the increasing demand for private higher education, growing market demand for talents with practical skills, increasing diversification and strengthened education quality, as well as governmental support. We believe that in 2021, China's private higher education sector will remain on a secular growth trend and there is significant potential with opportunities.

To achieve our goals, in 2021, we intend to pursue the following business strategies:

- **Continue to improve our school facilities, enhance our brand recognition and reputation, and expand our business and school network**

  To benefit from and seize the growth opportunities in the private education industry in China, we will continue offering quality higher education and attracting more talents to our Schools. As an important measure to enhance our higher education services, we will continue to construct, renovate and upgrade the facilities and infrastructure of our current School campus.

- **Continue to optimize our program and course offerings in order to enhance the competitiveness of our students**

  As an education service provider, the quality and coverage of the programs and course offerings are crucial for our Schools in providing quality education services. We intend to improve our education quality, expand the scale of our business operations and diversify our revenue primarily through optimize program offerings, strengthen school-enterprise collaboration and international collaboration, and develop online education courses.

  In March 2020, JAUS and Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網絡技術有限公司) ("**Alibaba Network Technology**") entered into a cooperation agreement (the "**Cooperation Agreement**") to establish Alibaba Digital Trade College (阿里巴巴數字貿易學院) (the "**College**") and cultivate talents in the digital trade industry. For details of the Cooperation Agreement, please refer to the Company's announcement dated 30 March 2020. As at the date of this report, JAUS and Alibaba Network Technology are still in the process of formulating the specific plans for the establishment of the College. In the event that any of the specific cooperation matters under the Cooperation Agreement constitutes a notifiable transaction of the Company under Chapter 14 of the Listing Rules, the Company will comply with the disclosure and relevant requirements under the Listing Rules as and when appropriate.

- **Further strengthen and diversify our education related services**

  We believe that the provision of education related services has substantial market potential in China. To continue improving our profitability, we plan to further strengthen and diversify our education related services. We believe a diverse portfolio of educational services provided by us will be instrumental in enhancing our brand awareness and widening our revenue base. We plan to explore the opportunities to cooperate with other higher education providers to secure more qualified students for our internship management services. We also intend to proactively identify and cooperate with more suitable higher education institutions in Jiangxi Province as well as other regions in China. On the other hand, leveraging our reputation in the private higher education industry, we plan to seek cooperation opportunities with more enterprises located in developed areas in China, thereby further grow our internship management services.

- **Continue to attract, train and retain talented teachers and other professionals**

  We believe that hiring, retaining and training outstanding teachers is crucial in providing quality education to students. We intend to continue attracting and retaining teachers with professional expertise, teaching experience and/or work experience in relevant fields. To achieve this goal, we will continue applying high standards in our recruitment of teachers, and target applicants who have postgraduate degree or have extensive work experience in relevant field. We plan to expand our faculty team with more "double qualification teachers", experienced technical experts, well-recognized business administrators, and other personnel with expertise who are qualified to deliver skill-focused curriculums at our Schools on either full-time or part-time basis. In addition, we also intend to hire professors from other higher education institutions with experience to serve in academic leadership roles at our Schools.

CORONAVIRUS ("COVID-19") IMPACT

After the outbreak of the COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. In the view of the outbreak of the COVID-19, the Group has taken a series of necessary health precaution to mitigate the potential impact of the COVID-19 outbreak, including the implementation of prevention and control policies released by the relevant government authorities, adopting flexible work-from-home practices, postponing the start of the 2020 spring semester and offering online learning courses. In order to mitigate the potential impact of the COVID-19 outbreak, and as requested by the government authorities, the 2020 spring semester was postponed to May 2020.

Resulted from the postponing of the 2020 spring semester, as required by the MOE, the Group has refunded boarding fees of approximately RMB5.7 million to students for the year ended 31 December 2020 since they were not able to return to school due to the outbreak of COVID-19. Nevertheless, the outbreak of COVID-19 had no significant adverse impacts on the Group's gross profit and gross profit margin for the year ended 31 December 2020.

Overall, considering that the Group's revenue and gross profit recorded increases for the year ended 31 December 2020, the Directors are of the view that the Group is able to resist the impact of the COVID-19. As at the date of this report, the Group does not anticipate any significant financial impact resulting from the COVID-19, following which the Group will pay close attention to the situation of the COVID-19 and continue to assess the impact of the epidemic disease on the Group's finances and operations from time to time, as the case may be.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of RMB0.0187 (equivalent to approximately HK$0.0223) per Share (the "**Proposed Final Dividend**") for the year ended 31 December 2020, subject to the approval of the Shareholders at the Company's 2021 AGM. Such proposed dividend will be payable on or around Wednesday, 28 July 2021 to the Shareholders whose names appear on the register of members of the Company on Friday, 9 July 2021.

FINANCIAL REVIEW

Revenue

The following table sets forth the breakdown of our revenue for the years ended 31 December 2020 and 2019:

	For the year ended 31 December		Year-on-year change	
	2020 (RMB'000)	2019 (RMB'000)	(RMB'000)	%
Higher Education Services				
Tuition fees				
Undergraduate programs	**124,228**	81,229	42,999	52.9
Junior college programs	**112,353**	101,956	10,397	10.2
Boarding fees	**21,887**	19,316	2,571	13.3
Sub-total	**258,468**	202,501	55,967	27.6
Education related services				
Internship management fees	**3,123**	10,915	(7,792)	(71.4)
Tutoring and program management fees	**17,427**	30,266	(12,839)	(42.4)
Sub-total	**20,550**	41,181	(20,631)	(50.1)
Other services	**9,011**	7,410	1,601	21.6
Total	**288,029**	251,092	36,937	14.7

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2020, our total revenue was approximately RMB288.0 million, representing an increase of approximately 14.7% as compared with 2019. This was mainly attributable to the growth in the number of students enrolled in our undergraduate programs by approximately 50.8% in the 2020/2021 school year. Such growth was partly offset by the decrease in the number of students in our junior college programs by approximately 1.1% in the 2020/2021 school year, and the decrease of education related service income in 2020 due to the cancellation of a number of internship and tutoring programs caused by the COVID-19 pandemic.

For the year ended 31 December 2020, tuition fees and boarding fees contributed to the majority of our total revenue. We generally require our students to pay tuition and boarding fees for the entire school year at the commencement of the school year, which fees are recognized proportionately over the relevant period of the applicable programs.

- For the year ended 31 December 2020, our tuition fees amounted to approximately RMB236.6 million, representing an increase of approximately 29.1% as compared with 2019. This was mainly attributable to the growth in the number of students in our undergraduates programs from 5,325 for the 2019/2020 school year to 8,029 for the 2020/2021 school year. In the year of 2020, the average tuition fees of our undergraduate programs increased by approximately 6.8% as compared with the year of 2019; while the average tuition fees of our junior college programs increased by approximately 13.2% as compared with the year of 2019. Such increase was due to more freshman students have applied for higher tuition programs as compared to the past years.

- For the year ended 31 December 2020, after the refund of two months' boarding fees of approximately RMB5.7 million to our students as requested by the MOE, we still recorded an increase in our boarding fees by approximately 13.3% as compared with the year ended 31 December 2019. This was mainly attributable to the increase in boarding fees of JAUS for the year ended 31 December 2020.

Our revenue generated from education related services for the year ended 31 December 2020 consisted of internship management fees as well as tutoring and program management fees.

- For the year ended 31 December 2020, our internship management fees amounted to approximately RMB3.1 million, representing a decrease of approximately 71.4% as compared with 2019. This was mainly attributable to the precautionary and control measures imposed by the government authorities to mitigate the potential impact of COVID-19 outbreak in the first half of 2020, resulted in the cancellation of a number of internship programmes.

- For the year ended 31 December 2020, our tutoring and program management fees amounted to approximately RMB17.4 million, representing a decrease of approximately 42.4% as compared with 2019. This was mainly attributable to the precautionary and control measures imposed by the government authorities to mitigate the potential impact of COVID-19 outbreak in the first half of 2020, resulted in the cancellation of a number of tutoring programmes.

Our revenue generated from other services for the year ended 31 December 2020 was primarily derived from (i) miscellaneous charges to students, and (ii) commission income from book suppliers. The fee received from other services is recognized as revenue when relevant service is rendered to the customers. For the year ended 31 December 2020, our revenue generated from other services amounted to approximately RMB9.0 million, representing an increase of approximately 21.6% as compared with 2019. This was mainly attributable to the growth in the number of students for the 2020/2021 school year.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Revenue

Our cost of revenue primarily consisted of employee benefit expenses, depreciation and amortization expenses, students activities expenses, educational supplies and consumables, repair and maintenance and others. For the year ended 31 December 2020, the cost of revenue of the Group amounted to approximately RMB100.4 million, representing an increase of approximately 25.7% as compared with 2019. The increase was mainly attributable to the increase in employee benefit expenses amounted to approximately RMB37.2 million and the increase in repair and maintenance expenses amounted to approximately RMB4.3 million.

Gross Profit and Gross Profit Margin

Our gross profit was approximately RMB187.6 million for the year of 2020, representing a year-on-year increase of approximately 9.6%. Our gross profit margin was approximately 65.1% for the year of 2020, as compared with approximately 68.2% for the year of 2019.

Other Income

Other income primarily include government grants, commission income, sub-contracting income and others during the year of 2020. For the year ended 31 December 2020, the Group's other income amounted to approximately RMB20.7 million, representing a decrease of approximately 42.8% as compared with 2019. Such decrease was mainly because, as compared with the year ended 31 December 2019, we did not receive government grants in respect of the Listing for the year ended 31 December 2020; and the amount of commission income for the year ended 31 December 2020 decreased by approximately 81.4% as compared with the year ended 31 December 2019.

Expenses

Selling Expenses

Our selling expenses primarily consisted of promotion expenses, travelling and office expenses, and others which mainly included costs incurred for promotional materials in connection with student recruitment. For the year ended 31 December 2020, our selling expenses amounted to approximately RMB11.3 million, as compared with approximately RMB7.3 million for the year ended 31 December 2019. The increase of the selling expenses was mainly because we applied further promotion methods in our student recruitment for the 2020/2021 academic year.

Administrative Expenses

Our administrative expenses primarily consisted of (i) employee benefit expenses for administrative staff, (ii) depreciation and amortization expenses for administrative facilities, (iii) professional service fees, (iv) repair and maintenance expenses for administrative facilities, (v) listing expenses incurred in connection with the Listing, and (vi) general office expenses mainly including office expenses and transportation expenses, and other expenses of similar nature. For the year ended 31 December 2020, our administrative expenses amounted to approximately RMB78.3 million, representing an increase of approximately 18.5% as compares with 2019. Such increase was mainly attributable to the increase in employee benefit expenses amounted to approximately RMB30.3 million in connection with the Company's RSU Scheme.

Net Finance Costs

Our net finance costs reflected the sum of interest expenses we paid on bank borrowings and other borrowings after netting off the interest income we received from cash and cash equivalents. For the year ended 31 December 2020, our net finance costs decreased from approximately RMB23.1 million for the year ended 31 December 2019 to approximately RMB21.8 million for the year ended 31 December 2020, representing a slight decrease of approximately 5.8% as compared with 2019.

Income Tax Expenses

For the year ended 31 December 2020, our income tax expenses primarily consisted of PRC Enterprise Income Tax. Our income tax expenses were approximately RMB1.4 million for the year ended 31 December 2020, representing a decrease of approximately 89.8% as compared with 2019. Such decrease was mainly attributable to the decrease in taxable income from education related services in 2020. Our effective tax rates for the year ended 31 December 2020 was approximately 1.8%.

Other Expenses

Other expenses primarily consisted of promotion expenses, depreciation and amortization expenses. For the year ended 31 December 2020, our other expenses amounted to approximately RMB5.3 million, representing a decrease of approximately 7.0% as compared with 2019.

Profit for the year

For the year ended 31 December 2020, our profit amounted to approximately RMB77.5 million, representing a decrease of approximately 7.3% as compared with 2019. Such decrease was mainly attributable to the decrease in income from our education related services and the increase in employee benefit expenses, which offset the increase in income from our higher education services.

Financial Positions

As at 31 December 2020, our total equity was approximately RMB876.4 million, as compared with approximately RMB789.8 million as at 31 December 2019. The increase in equity was mainly attributable to the consolidation of profit of the Group for the year ended 31 December 2020.

As at 31 December 2020, our current assets were approximately RMB543 million, as compared with approximately RMB584.5 million as at 31 December 2019. The decrease was mainly attributable to the decrease in other receivables and prepayments.

Liquidity and Capital Resources

Our primary uses of cash are to fund our working capital requirement, loan repayment and related interest expenses. As at the date of this report, we have funded our operations principally with the cash generated from our operations, bank borrowings, shareholder contributions and net proceeds from Global Offering. In the future, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank borrowings and other funds raised from the capital markets from time to time.

As at 31 December 2020, we had cash and cash equivalents of approximately RMB355.6 million, as compared with approximately RMB415.7 million as at 31 December 2019. Such decrease was mainly attributable to the purchase of property, plant and equipment and the acquisition of Jishi College.

As at 31 December 2020, our total borrowings amounted to approximately RMB718.8 million, as compared with approximately RMB432.4 million as at 31 December 2019. The majority of our borrowings, RMB714.7 million were dominated in RMB and RMB4.1 million were dominated in HKD. Our borrowing have approximately RMB192.0 million which are repayable within one year and approximately RMB526.8 million are repayable in more than one year. For the year ended 31 December 2020, the weighted average effective interest rate of our bank borrowings were approximately 5.60% (for the year ended 31 December 2019: approximately 5.48%).

Gearing Ratio

As at 31 December 2020, our gearing ratio, which is calculated as net debt divided by total equity, was approximately 37.4%, as compared with approximately 2.5% as at 31 December 2019. The increase was mainly attributable to the increase in borrowings and lease liabilities at a greater extent than the profit earned during the year.

Capital Expenditure

Our capital expenditures during the year ended 31 December 2020 amounted to approximately RMB223.5 million, primarily consisted of expenditures for construction in progress, office furniture and fixtures, electronic equipment and vehicles.

Property, Plant and Equipment

Property, plant and equipment as at 31 December 2020 increased to approximately RMB1,001.5 million from approximately RMB809.4 million as at 31 December 2019. Such increase was mainly attributable to the increase in construction in progress of teaching and research buildings, student residence halls and other facilities in our JAUS campus during the year ended 31 December 2020.

CHARGE ON ASSETS

Except for the disclosure in note 5 and note 27(a) of the financial information this report, there was no other material charge on the Group's assets as at 31 December 2020.

CONTINGENT LIABILITIES AND GUARANTEES

Save as disclosed in this report, as at 31 December 2020, we did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the date of this report, the Group has not entered into any off-balance sheet transactions.

SIGNIFICANT INVESTMENTS HELD

Save as disclosed in this report, the Group did not have other significant investments held as at 31 December 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed in the annual report, the Group did not have any other material acquisitions or disposals of subsidiaries and associated companies during the year ended 31 December 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this report, the Group did not have other plans for material investments or capital assets as at 31 December 2020.

FOREIGN CURRENCY RISK

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is RMB. Any depreciation of RMB would adversely affect the value of any dividends the Group pay to Shareholders outside of the PRC. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, we had 1,198 full-time employees (as at 31 December 2019, we had 1,157 full-time employees), mostly based in Jiangxi Province.

The remuneration or our employees is based on their performance, experiences, and market comparable. In addition to salary, we also provide various incentives, including share-based compensation such as RSUs granted pursuant to the Company's RSU Scheme as well as performance-based bonuses to better motivate our employees. As required by the PRC law, we contribute to housing funds and maintain mandatory social insurance plans for our employees, covering pension, medical, unemployment, work injury and maternity leave. For the year ended 31 December 2020, our employee remuneration totaled to approximately RMB103.2 million.

We grant RSUs to our employees to incentivize them to contribute to our growth. As at 31 December 2020, RSUs in respect of 40,000,000 underlying Shares, representing approximately 4.0% of the share capital of our Company as at 31 December 2020, have been granted to 53 participants pursuant to the RSU Scheme. As at 31 December 2020, RSUs in respect of 20,000,000 underlying Shares, have been vested.

The remuneration of Directors and members of senior management of the Company is determined on the basis of each individual's responsibilities, qualification, position, experience, performance, seniority and time devoted to our business. They receive compensation in the form of salaries, performance-related bonus, RSUs, and other allowances and benefits-in-kind, including the Company's contribution to their pension schemes on their behalf.

SUBSEQUENT EVENTS

Subsequent to 31 December 2020 and up to the date of this report, the Group had no material subsequent events which have not been reflected in the financial information.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving and maintaining high standards of corporate governance by focusing on principles of integrity, accountability, transparency, independence, responsibility and fairness. The Company has developed and implemented sound corporate governance policies and measures, and the Board is responsible for performing such corporate governance duties. The Board will continue to review and monitor the corporate governance of the Company, as well as various internal policies and procedures, including but not limited to those applicable to employees and Directors, with reference to the CG Code and other applicable legal and regulatory requirements so as to maintain a high standard of corporate governance of the Company.

During the year ended 31 December 2020, the Company has complied with the applicable code provisions of the CG Code other than the code provisions A.2.1 of the CG Code, namely, the roles of the chairman and chief executive officer have not been separated, since 30 October 2020.

Code Provision A.2.1 of the CG Code

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Huang Yulin, our Chairman has been acting as the CEO after Mr. Huang Boqi's resignation as the Company's executive Director and CEO on 30 October 2020. Since Mr. Huang Yulin is the key person for our Group's establishment and development with extensive experience in the higher education sector, Mr. Huang Yulin has been responsible for the overall strategic planning and general management of the Group and is instrumental to the Company's growth and business expansion since its establishment. The Board believes that having the same individual (i.e., Mr. Huang Yulin) in both roles as the Chairman and the CEO ensures that the Group has consistent leadership and could make and implement the overall strategy of the Group more effectively. The Board believes that this structure does not compromise the balance of the power and authority. The Board will regularly review the effectiveness of this structure to ensure that it is appropriate to the Group's circumstances. Therefore, the Directors consider that the deviation from Corporate Governance Code provision A.2.1 is appropriate in such circumstance. In addition, under the supervision of the Board which is comprised of five executive Directors and four independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protects the interest of the Company and the Shareholders.

BOARD OF DIRECTORS

The Board is responsible for leadership and the internal control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board has general powers for the management and is conducting the Company's business. The day-to-day operations and management are delegated by the Board to the management of the Group, who will implement the strategy and direction as determined by the Board.

The Board currently consists of nine Directors, namely Mr. Huang Yulin (Chairman and CEO), Mr. Li Cunyi, Mr. Bau Siu Fung (chief financial officer and company secretary), Mr. Wang Li and Ms. Gan Tian as executive Directors, and Mr. Chan Hon Ki, Mr. Chen Wanlong, Mr. Huang Juyun and Mr. Wang Donglin as independent non-executive Directors. Mr. Huang Yulin is the father-in-law of Mr. Wang Li. Other than that, none of the Directors had a relationship (including financial, family or other substantial or related relationship) with each other. The Board has a balance of skills and experience appropriate for the requirements of the business of the Group.

The biographies of the Directors are set out in the section headed "Profiles of Directors and Senior Management" of this annual report.

Each of the executive and non-executive Directors of the Company has entered into a service contract with the Company and the Company has issued letters of appointment to each of the independent non-executive Directors.

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the Articles of Association, all the Directors are subject to retirement by rotation at least once every three years. Any new Director appointed by the Board (i) to fill a casual vacancy in the Board shall hold office only until the first general meeting of the Company following his appointment and shall be subject to re-election at such meeting; and (ii) as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Mr. Li Cunyi, Mr. Bau Siu Fung, Mr. Wang Li and Ms. Gan Tian, shall retire by rotation at the 2021 AGM and, being eligible, have offered themselves for re-election as Directors thereat.

Each of the independent non-executive Directors has signed a letter of appointment with the Company until the third anniversary of the Listing Date and is subject to retirement by rotation at an annual general meeting of the Company at least once every three years.

The service contracts and letters of appointment are subject to termination in accordance with their respective terms. The term of the service contracts and the letters of appointment may be renewed in accordance with the Articles of Association, the Listing Rules and other applicable laws.

The aggregate remuneration (including fees, salaries, contributions to pension schemes, share-based compensation expenses, discretionary bonuses, housing and other allowances and other benefits in kind) payable to the Directors for the Reporting Period was approximately RMB7.4 million.

The remuneration of the Directors is determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group. Details of the remuneration of the Directors and senior management for the Reporting Period are set out in note 9 and note 35 to the consolidated financial statements respectively.

The company has arranged appropriate insurance cover in respect of legal proceedings against the Directors.

The procedure agreed by the Board to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense as required pursuant to code provision A.1.6 of the CG Code.

During the Reporting Period and up to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board, of whom Mr. Chan Hon Ki is the Director possessing appropriate professional qualifications of accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board.

The Company has received a written confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considered them to be independent.

The Directors have access to the services of the company secretary to ensure that the Board procedures are followed. The Company secretary of the Company is Mr. Bau Siu Fung. In compliance with Rule 3.29 of the Listing Rules, Mr. Bau Siu Fung have undertaken no less than 15 hours of relevant professional training during the Reporting Period. Mr. Bau Siu Fung has the necessary qualifications and experience as required under Rules 3.28 and 8.17 of the Listing Rules.

The company secretary is responsible to prepare and circulate the abovementioned draft agenda and board papers. The company secretary is also responsible for keeping all Board meetings' minutes recorded in sufficient detail of the matters considered and decisions reached. Draft and final versions of the minutes are circulated to the Directors for comments and records respectively within reasonable time after each meeting and the final version is open for the Directors' inspection.

All Directors attended various trainings in the year of 2020, including trainings regarding the updating of the Listing Rules, the responsibilities and continuous obligations of Directors and the Environmental, Social and Governance Reporting Guide. The Company has arranged suitable trainings for all Directors in order to develop and refresh their knowledge and skills as part of their continuous professional development.

The Company is committed to continuously reviewing and improving its internal systems, including those in relation to internal supervision and control, and risk management.

Change in Directors' and chief executive's information pursuant to Rule 13.51B(1) of the Listing Rules

Save as disclosed in this report, for the year of 2020, there were no changes to information which is required to be disclosed and had been disclosed by the Directors pursuant to Rule 13.51B(1) of the Listing Rules.

BOARD DIVERSITY POLICY

In compliance with the requirement set out in Rule 13.92 of the Listing Rules, the Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach of which the Board could achieve and maintain a high level of diversity. The Company recognizes the benefits of having a diversified Board, as such it will ensure that members of the Board have the appropriate balance of skills, experience and diversity of perspectives that are required to support the Group's business strategies and sustainable development. Our Company seeks to achieve Board diversity by selection of candidates for the Board through the consideration of a number of factors, including but not limited to the skills, knowledge, professional experience and qualifications, cultural and educational background, age, gender, ethnicity and length of service. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.

The Nomination Committee is delegated to be responsible for compliance with relevant code governing board diversity under the CG Code. The Nomination Committee will review the Board Diversity Policy from time to time to ensure that its continued effectiveness, and where necessary, will make revisions that may be required and recommend any such revision to the Board for consideration and approval.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS

The Company has adopted a practice to convene Board meetings regularly which is at least four meetings per year and roughly on a quarterly basis. A notice of a regular Board meeting shall be delivered to all the Directors at least 14 days in advance with the matters to be discussed specified in agenda of the meeting. For other Board and committee meetings, reasonable notice is generally served. Agendas or relevant documents of the Board or committee meetings shall be despatched to the Directors or members of the committees at least three days prior to the convening of the meetings to ensure that they have sufficient time to review the relevant documents and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. The minutes are kept by the company secretary of the Company and the copies are circulated to all Directors for reference and record purpose.

The minutes of the meetings of the Board and committees thoroughly are recorded all matters under consideration and decisions made including any problems raised by the Directors. Draft minutes of each Board meeting and committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Directors have a right to review the minutes of the Board meetings and the committee meetings.

During the Reporting Period, four Board meetings were held. A Board meeting was held on 30 March 2020 to consider and approve the annual results announcement and annual report of the Group for the year ended 31 December 2019. A Board meeting was held on 27 August 2020 to consider and approve the interim results announcement of the Group for the six months ended 30 June 2020. A Board meeting was held on 28 October 2020 to consider and approve the resignation of Mr. Huang Boqi as the Company's CEO and executive Director. A Board meeting was held on 26 November 2020 to consider a potential debt issuing plan. All Directors had participated in the above board meetings.

GENERAL MEETING

Annual general meeting proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices. The notice of annual general meeting is distributed to all shareholders at least 20 clear business days prior to the annual general meeting and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the annual general meeting exercises his power under the Articles of Association to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the beginning of the meeting. Poll voting results are posted on the Company's website on the day of the annual general meeting.

During the year ended 31 December 2020, one annual general meeting was held on 30 June 2020. All Directors had participated in the annual general meeting.

The forthcoming 2021 AGM will be held on 30 June 2021. The notice of the 2021 AGM will be sent to the Shareholders at least 20 clear business days before the 2021 AGM.

BOARD COMMITTEES

The Company has three principal Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of the Board committees operates under its terms of reference. The terms of reference of the Board committees are available on the website of the Company and that of the Stock Exchange.

Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with the CG Code. The Audit Committee consists of four members, namely Mr. Chan Hon Ki, Mr. Huang Juyun, Mr. Chen Wanlong and Mr. Wang Donglin, all being our independent non-executive Directors. Mr. Chan Hon Ki with appropriate qualifications has been appointed as the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise, and provide an independent view of the effectiveness of, the financial reporting process and the risk management and internal control systems of the Group, oversee the audit process and perform other duties and responsibilities as assigned by the Board.

During the Reporting Period, two Audit Committee meetings were held. A meeting of the Audit Committee was held on 30 March 2020 to review the annual results of the Group for the year ended 31 December 2019. A meeting of the Audit Committee was held on 27 August 2020 to review the interim results of the Group for the six months ended 30 June 2020. All members of the Audit Committee had participated in the above meetings.

Remuneration Committee

The Company has established a Remuneration Committee with written terms of reference in compliance with the CG Code. The Remuneration Committee has five members, comprising three independent non-executive Directors, namely Mr. Chen Wanlong, Mr. Huang Juyun and Mr. Chan Hong Ki, and two executive Directors, namely Mr. Wang Li and Mr. Li Cunyi. Mr. Chen Wanlong is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors (including the director's fees of the independent non-executive Directors) and senior management and make recommendations to the Board on employee benefit arrangement.

A meeting of the Remuneration Committee was held on 30 March 2020 to review the remuneration policy and structure and to make recommendations to the Board on determining the annual remuneration packages of the executive Directors and the senior management and other related matters. All members of the Remuneration Committee had participated in the above meetings.

Nomination Committee

The Company has established a Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee consists of three independent non-executive Directors, being Mr. Huang Juyun, Mr. Wang Donglin and Mr. Chen Wanlong, and two executive Directors, being Mr. Li Cunyi and Ms. Gan Tian. Mr. Huang Juyun is the chairman of the Nomination Committee.

The Nomination Committee is responsible for reviewing and assessing the composition of the Board and the independence of the independent non-executive Directors and making recommendations to the Board on appointment and removal of Directors. In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regards to the benefits of diversity on the Board in accordance with the board diversity policy adopted by the Company. Diversity of the Board will be considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services and time to be devoted as a Director. The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

A meeting of the Nomination Committee was held on 30 March 2020 to review composition of the Board, assess the independence of independent non-executive Directors and recommend the Board on the re-election of Directors. All members of the Remuneration Committee had participated in the above meetings. During the year of 2020, the Nomination Committee has reviewed the structure, size and composition of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors, the senior management, and Group's employees who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the year under review. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management and employees of the Group during the year under review.

FRAMEWORK FOR DISCLOSURE OF INSIDE INFORMATION

The Company has in place a policy on handling and dissemination of inside information (the "**Policy**") which sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way so as not to place any person in a privileged dealing position and to allow time for the market to determine the price of the listed securities of the Company with the latest available information. This Policy also provides guidelines to staff of the Company to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the websites of the Stock Exchange and the Company, according to the requirements of the Listing Rules.

AUDITOR'S REMUNERATION

For the Reporting Period, the fees paid/payable to the Company's auditor for audit services amounted to approximately RMB1.8 million; and the fees paid/payable to the Company's auditor for non-auditing services (mainly include tax advisory services) amounted to approximately RMB85,446.

ACCOUNTABILITY AND AUDIT

The Directors of the Company are responsible for overseeing the preparation of the consolidated financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flows during the Reporting Period. A statement from the auditor about its reporting responsibilities on the consolidated financial statements is set out on pages 56 to 62 of this annual report. In preparing the consolidated financial statements for the Reporting Period, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimated that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis.

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

The basis on which the Company generates or preserves value over the longer term and the strategy for delivering its objectives are explained in the "Management Discussion and Analysis" set out on pages 17 to 28 of this annual report.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board acknowledges its responsibility for maintaining a sound and effective risk management and internal control systems 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 is conducted on an annual basis. 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 queries 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.

The Group's internal control system includes a well-established organizational structure with clearly defined lines of responsibility and authority. The Schools are 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 the Schools' operations. The board of directors of the Schools are responsible for the overall management and decisions on matters that are significant to the Schools. The board of directors, president and vice presidents of the 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. The Schools have 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.

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.

CORPORATE GOVERNANCE REPORT

The Company is committed to build up an effective internal control and risk management systems. The Company has appointed First Shanghai 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.

The Board has conducted a review on the effectiveness of the internal control and risk management systems of the Group in the year of 2020. Such review shall cover all material controls, including financial, operational and compliance controls and risk management functions. The Board considers that the risk management and internal control systems are effective and adequate during the year of 2020. 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 in the future.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Articles of Association was conditionally adopted by the Board on 18 November 2019 and became effective on the Listing Date. A copy of the Articles of Association is available on the website of the Company and the Stock Exchange. During the year ended 31 December 2020 and up to the date of this annual report, there was no significant change in constitutional documents of the Company.

SHAREHOLDERS

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

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

Under Article 64 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 may at all times have the right, by a written requisition to the Board or the joint company secretaries of the Company, to require the convening of an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The Board is not aware of any provisions allowing the Shareholders to put forward proposals at general meetings of the Company under the Articles of Association and the Companies Law of the Cayman Islands. Shareholders who wish to put forward proposals at general meetings of the Company may refer to the preceding paragraph to make a written requisition to require the convening of an extraordinary general meeting of the Company.

Detailed procedures for Shareholders to propose a person for election as a Director are published on the Company's website. For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company as follows:

Address: No. 001, Xinjian Lianfu Dadao, Nanchang, Jiangxi, PRC

The Company will not normally deal with verbal or anonymous enquiries.

DIRECTORS' REPORT

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

We are one of the leading providers of private higher education in Jiangxi Province, China, with years of experience in the private higher education industry. As at 31 December 2020, we operated one private university and one full-time vocational college located in Jiangxi Province, namely the Jiangxi University of Applied Science（江西應用科技學院）(the "**JAUS**") and Jiangxi Wenli Jishi College（江西文理技師學院）("**Jishi College**", together with JAUS, collectively referred to as "**Schools**"), and offer undergraduate, junior college and vocational programs, as well as diverse education related services. As at 31 December 2020, our Schools had a total number of student enrollment of 21,990, consisting of 8,029 undergraduate students, 8,735 junior college students and 5,226 vocational school students. We also provide a variety of education related services including internship management services as well as tutoring and program management services to enterprises and education institutions.

The Company is the holding company of our Group incorporated in the Cayman Islands on 25 May 2018. The activities and particulars of our Company are shown under note 1 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and consolidated statement of profit or loss.

BUSINESS REVIEW

A review of the Group's business during the year of 2020, which includes a discussion of the principal challenges and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review and discussion form part of this directors' report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has engaged professional service firms for advices regarding compliance matters with various jurisdictions which the Group's subsidiaries operate, and has kept a close watch on any new laws or regulatory changes.

During the Reporting Period and up to the date of this annual report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company in material respects.

RESULTS AND DIVIDEND

The consolidation results of the Group for the Reporting Period are set out on pages 63 to 68 of this annual report. The Board has recommended the payment of a final dividend of RMB0.0187 (equivalent to approximately HK$0.0223) per Share for the Reporting Period, subject to the approval of the Shareholders at the 2021 AGM.

CLOSURE OF THE REGISTER OF MEMBERS

In order to ascertain Shareholder's entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Friday, 25 June 2021 to Wednesday, 30 June 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the 2021 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's 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 no later than 4:30 p.m. on Thursday, 24 June 2021.

DIRECTORS' REPORT

For the purpose of determining the entitlement to the Proposed Final Dividend, the register of members of the Company will be closed from Wednesday, 7 July 2021 to Friday, 9 July 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be entitled to the Proposed Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's 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 no later than 4:30 p.m. on Tuesday, 6 July 2021.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last four financial years is set out on page 8 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Reporting Period are set out in note 14 to the consolidated financial statements of this annual report.

ENVIRONMENT POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material incompliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment during the Reporting Period. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. The Environmental, Social and Governance Report is set out in pages 135 to 150 of this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in note 23 to the consolidated financial statements.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the Reporting Period are set out in the Consolidated Statement of Change in Equity of this annual report and in note 24 to the consolidated financial statements.

As at 31 December 2020, the Company's share premium available for distribution to Shareholders amounted to approximately RMB452.4 million (2019: RMB471.2 million).

PRE-EMPTIVE RIGHTS

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

USE OF NET PROCEEDS

The net proceeds from the Global Offering were approximately HK$478.3 million (equivalent to approximately RMB427.9 million), after deducting the underwriting fees and commission, and related total expenses paid and payable by us in connection with the Listing. As at 31 December 2020, the Company has utilised the net proceeds of approximately RMB419.2 million and the net proceeds have been applied in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

The following table sets forth a summary of the utilisation of the net proceeds from the Global Offering as at 31 December 2020:

Percentage	Purpose to total amount	Net proceeds allotted from the Global Offering RMB (million)	Unutilised amount as at 31 December 2019 RMB (million)	Actual use of proceeds during the year ended 31 December 2020 RMB (million)	Unutilised amount as at 31 December 2020 RMB (million)	Expected timeline of full utilisation of the remaining proceeds
Construct, renovate and upgrade the facilities and infrastructure of JAUS	35.0%	149.8	149.8	149.8	–	N/A
Repay certain portion of the Group's bank loans	30.0%	128.4	128.4	128.4	–	N/A
Acquire private higher education institutions and/or private vocational schools	25.0%	106.9	106.9	98.2	8.7	December 2021
Fund the Group's working capital and general corporate purposes	10.0%	42.8	42.8	42.8	–	N/A
	100.0%	427.9	427.9	419.2	8.7	

DIRECTORS' REPORT

DIRECTORS

The Board currently consists of the following Directors during the Reporting Period and up to the date of this annual report:

Executive Directors

Mr. Huang Yulin *(Chairman and CEO)*
Mr. Li Cunyi
Mr. Bau Siu Fung
Mr. Wang Li
Ms. Gan Tian
Mr. Huang Boqi *(resigned with effect from 30 October 2020)*
Mr. Zheng Junhui *(resigned with effect from 23 February 2021)*

Independent Non-executive Directors

Mr. Chan Hon Ki
Mr. Chen Wanlong
Mr. Huang Juyun
Mr. Wang Donglin

Each of Mr. Huang Boqi and Mr. Zheng Junhui has tendered his resignation to the Board to resign as an executive Director with effect from 30 October 2020 and 23 February 2021, respectively, due to his intention to pursue his other personal affairs.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 11 to 16 in the section headed "Profiles of Directors and Senior Management" to this annual report.

In order to take advantage of the skills, experiences and diversity of perspectives of the Directors and in order to ensure that the Directors give sufficient time and attention to the Group's affairs, the Company has requested each of the Directors to disclose to the Company, the number and the nature of their offices held in public companies and other significant commitments.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company. Each of Mr. Huang Yulin, Mr. Li Cunyi, Mr. Bau Siu Fung, Mr. Wang Li and Ms. Gan Tian has agreed to act as an executive Director for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the Director or the Company.

Each of the independent non-executive Directors has signed an appointment letter with the Company for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either of the Director or the Company. Under the respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee.

The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

None of the Directors (including the Directors proposed for re-election at the AGM) have a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REPORT

CONTRACT WITH CONTROLLING SHAREHOLDERS

During the year of 2020, save as disclosed in the paragraph headed "Non-exempt Continuing Connected Transactions" below in this report, no contract of significance was entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company or any of its subsidiaries during the Reporting Period or subsisted at the end of the year and 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 was entered into during the Reporting Period or subsisted at the end of the year.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Other than disclosed in the consolidated financial statements, no transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in note 9 and note 35 to the consolidated financial statements in this annual report.

For the Reporting Period, no emoluments were paid by the Group to any Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors had waived any emoluments for the Reporting Period.

Except as disclosed above, no other payments had been made or were payable, for the Reporting Period, by our Group to or on behalf of any of the Directors.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the section headed "Relationship with our Controlling Shareholders" in the Prospectus, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

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.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

Background

We currently conduct our private higher education and vocational education business through our Consolidated Affiliated Entities in the PRC. In the PRC, private education is subject to certain foreign ownership restrictions. Under applicable laws and regulations, foreign-invested education institutions offering higher education and vocational education must be operated in the form of Sino-foreign cooperation, and the applicable PRC laws and regulations also impose certain qualification requirements on the foreign investors of Sino-foreign joint venture private schools. As the PRC government usually does not approve the establishment of Sino-foreign joint venture private schools as a matter of practice, we are unable to directly hold, and do not hold, any equity interest in our Consolidated Affiliated Entities. In order to comply with the applicable PRC legal and regulatory restrictions, we will obtain control over, and derive economic benefits from, our Consolidated Affiliated Entities through the use of Contractual Arrangements.

PRC laws and regulations relating to foreign ownership in the Education Industry

Negative List

Pursuant to the Special Administrative Measures for Entrance of Foreign Investment (2020 Version) (外商投資準入特別管理措施(負面清單) (2020年版))(the "**Negative List**"), the provision of higher education in the PRC falls within the "restricted" category. The Negative List also explicitly provides that foreign investment in higher education must be operated in the form of Sino-foreign cooperation, whereby the foreign investor shall operate higher education in the PRC through cooperation with a PRC education institution. In addition, the Negative List also requires that the domestic party shall play a dominant role in the Sino-foreign cooperation, which is generally understood to mean that (a) the principal or other chief executive officers of the schools shall be 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 education institution (the "**Foreign Control Restriction**"). As confirmed by our PRC legal advisor, we are in compliance with the Foreign Control Restriction in respect of our Consolidated Affiliated Entities on the basis that (a) the principals and chief executive officers of our Consolidated Affiliated Entities are all PRC nationals; and (b) all members of the board of directors of our Consolidated Affiliated Entities are PRC nationals.

Sino-Foreign Cooperation

Under the Regulation on Sino-Foreign Cooperation Operating Schools (《中華人民共和國中外合作辦學條例》), if we were to apply to convert JAUS and/or Jishi College to a Sino-foreign joint venture private school ("**Sino-Foreign Joint Venture Private School**"), the foreign investor in our Schools must be a foreign education institution which is appropriately qualified in providing quality education (the "**Qualification Requirement**"). Furthermore, pursuant to the Implement Opinions, the foreign portion of the total investment in the Sino-Foreign Joint Venture Private School should be below 50%. Our PRC legal advisor has advised that there are no implementing measures or specific guidance on the Qualification Requirement in accordance with the existing PRC laws and regulations and therefore it is currently uncertain as to what specific criteria must be met by a foreign investor (such as the length of experience and the form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant educational authority that it meets the Qualification Requirement.

Updates to the plan to comply with the Qualification Requirement

As disclosed in the prospectus, We have adopted a specific plan and have taken concrete steps which we believe are meaningful endeavors towards demonstrating compliance with the Qualification Requirement. In August 2018, we entered into a consulting service agreement with an international education consultant, who is an Independent Third Party, with an aim to establish and operate an academic degree granting university (the "**University**") in the State of California, the United States. We have submitted a formal application to the Bureau for Private Postsecondary Education. As at the date of this report, the application is still in process.

Summary of the Contractual Arrangements

The Contractual Arrangements which were in place during the Reporting Period are as follows:

1. the exclusive business cooperation agreement dated 15 September 2018, pursuant to which Chen Lin Education Science shall provide technical services, management support and consulting services to JAUS and Nanchang Di Guan, and JAUS and Nanchang Di Guan agreed to pay Chen Lin Education Science a service fee equal to all of their respective amount of surplus from the operations (after deducting necessary costs and reasonable expenses) (the "**Exclusive Business Cooperation Agreement**").

2. The exclusive call option agreement dated 15 September 2018, pursuant to which each of the Registered Shareholders and Nanchang Di Guan unconditionally and irrevocably agreed to grant Chen Lin Education Science or its designated third party an exclusive option to purchase all or part of the equity interests in Nanchang Di Guan, or Nanchang Di Guan's sponsor's interest in JAUS, as the case may be for the minimum amount of consideration permitted by applicable PRC laws and regulations (the "**Exclusive Call Option Agreement**").

3. The equity pledge agreement dated 15 September 2018, pursuant to which each of the Registered Shareholders agreed to pledge all of their respective equity interests in Nanchang Di Guan to Chen Lin Education Science as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts under the Contractual Arrangements (the "**Equity Pledge Agreement**").

4. The shareholders' voting rights entrustment agreement and powers of attorney dated 15 September 2018, pursuant to which each of the Registered Shareholders has unconditionally and irrevocably authorised and entrusted Chen Lin Education Science or its designated person to exercise all of his/her/their respective rights as shareholders of Nanchang Di Guan to the extent permitted by the PRC laws (the "**Shareholders' Voting Rights Entrustment Agreement and Powers of Attorney**").

5. The school sponsor's and directors' rights entrustment agreement and powers of attorney dated 15 September, 2018, pursuant to which Nanchang Di Guan has irrevocably authorized and entrusted Chen Lin Education Science or its designated person to exercise all its rights as the sponsor of JAUS to the extent permitted by the PRC laws; and each of the directors of JAUS appointed by Nanchang Di Guan has irrevocably authorized and entrusted Chen Lin Education Science or its designated person to exercise all his/her rights as directors of JAUS as appointed by Nanchang Di Guan and to the extent permitted by PRC laws (the "**School Sponsor's and Directors' Rights Entrustment Agreement and Powers of Attorney**").

Further, upon the completion of the acquisition of Jishi College, on 23 December 2020, Ruicheng Education and Jishi College have entered into the letters of undertaking of the Contractual Arrangements (the "**LOUs**"). Pursuant to the LOUs, Ruicheng Education and Jishi College have agreed to be subject to the terms and conditions of the Contractual Arrangements.

During the Reporting Period, the amount of transactions contemplated under the Contractual Arrangements was nil.

Significance and financial contributions of the Consolidated Affiliated Entities

Pursuant to the Contractual Arrangements, the Group obtains control over and drives the economic benefits from the consolidated affiliated entities. The following table sets out the financial contribution of the Consolidated Affiliated Entities:

	Significances and financial contribution to the Group					
	Revenue for the year ended 31 December		Net profit for the year ended 31 December		Total assets as at 31 December	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Consolidated Affiliated Entities	281,550	222,726	119,499	98,834	1,274,463	1,035,649

Risks associated with the Contractual Arrangements

For risks associated with the Contractual Arrangements, please see the section headed "Risk Factors — Risks Relating to our Contractual Arrangements" in the Prospectus for details.

Material change in relation to the Contractual Arrangements

During the Reporting Period, there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted.

Unwinding the Contractual Arrangements

The Company will unwind the Contractual Arrangements as soon as the laws allows the business of the Consolidated Affiliated Entities to be operated without the Contractual Arrangements.

However, during the Reporting Period, none of the Contractual Arrangements had been unwound as none of the restrictions that led to the adoption of the Contractual Arrangements had been removed.

Waiver from the Stock Exchange

The Stock Exchange has granted a waiver to the Company from strict compliance with the connected transactions requirements under Chapter 14A of the Listing Rules in respect of the Contractual Arrangements. For details, please refer to the section "Connected Transactions" in the Prospectus.

Confirmation from Independent Non-executive Directors

Our independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that during the Reporting Period, (i) no transaction pursuant to the Contractual Arrangements had been carried out during the year ended 31 December 2020; (ii) no dividends or other distributions have been made by Nanchang Di Guan to the holders of its equity interest which are not otherwise subsequently assigned or transferred to our Group; (iii) apart from the disclosure above, no contracts were entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities; and (iv) the Contractual Arrangements are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Confirmation of the Auditor

The Company was listed on the Stock Exchange on 13 December 2019 and the Contractual Arrangements in place are same as those set out in the Company's prospectus dated 27 November 2019. However, there is no transaction carried out, nor any dividend or other distribution made by Nanchang Di Guan pursuant to the Contractual Arrangements. Accordingly, there was nothing that the Company's auditor can report on and therefore the auditor is not engaged in this respect for the year ended 31 December 2020. When such transactions or distributions arise, the auditor will be engaged to carry out the necessary work.

CONNECTED TRANSACTIONS

During the Reporting Period, save as disclosed in the section headed "Non-exempt Continuing Connected Transactions" above in this report, the Group had not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in note 33 to the consolidated financial statements contained herein.

None of the related party transactions disclosed in note 33 to the consolidated financial statements, constituted a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the Reporting Period.

EQUITY-LINKED AGREEMENTS

During the Reporting Period, the Company did not enter into any equity-linked agreement.

DONATIONS

During the Reporting Period, our Group made a donation of RMB1,400,000 (2019: nil).

BREACH OF LOAN AGREEMENT

As at 31 December 2020, the Company had not breached any terms of its loan agreements that are significant to the Group's operations.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the Reporting Period.

LOAN AND GUARANTEE TO THE DIRECTORS, SENIOR MANAGEMENT AND CONTROLLING SHAREHOLDERS

During the Reporting Period, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the controlling shareholders of the Company or their respective connected persons.

RSU SCHEME

On 20 August 2019, the RSU Scheme was approved and adopted by the Directors of our Company. The purpose of the RSU Scheme is to incentivize Directors, senior management and employees of our Group for their contribution to our Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group by providing them with the opportunity to own equity interests in our Company. Persons eligible to receive RSUs under the RSU Scheme are existing employees, Directors (whether executive or non-executive, but excluding independent non-executive directors) or officers of our Company or any member of our Group any person who, in the sole opinion of the Board, has contributed or will contribute to any member of our Group (the "**RSU Eligible Persons**"). Our Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion.

The RSU Scheme will be valid and effective for a period of ten (10) years, commencing from 20 August 2019 (unless it is terminated earlier in accordance with its terms). As at 31 December 2020, the remaining life of the RSU Scheme was approximately eight years and seven months. The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of Shares held or to be held by the trustee for the RSU Scheme for the purpose of the RSU Scheme from time to time. Further details of the principal terms of the RSU Scheme are set out in the Prospectus.

Our Company has appointed Mr. Huang as the trustee (the "**RSU Trustee**") to assist in the administration of the RSU Scheme. Our Company may (i) allot and issue Shares to the RSU Trustee to be held by the RSU Trustee and which will be used to satisfy the Shares underlying the RSUs upon exercise and/or (ii) direct and procure the RSU Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the Shares underlying the RSUs upon exercise. Our Company shall procure that sufficient funds are provided to the RSU Trustee by whatever means as our Board may in its absolute discretion determine to enable the RSU Trustee to satisfy its obligations in connection with the administration of the RSU Scheme.

Details of the RSUs granted under the RSU Scheme as at 31 December 2020 is set out as below:

Name of the guarantees	Position held within our Group	Address	Number of Shares represented by the RSUs	Approximately percentage of shareholding as at 31 December 2020 [(1)]
Directors of our Company				
Wang Li	Executive Director	Room 401, Unit 1, Block 9 No. 2, Jun Cai Road Honggutan New District Nanchang Jiangxi, PRC	2,391,000	0.24%
Bau Siu Fung	Executive Director, chief financial officer and company secretary	Flat B, 17/F 102 Broadway Mei Foo Sun Chuen Mei Foo Kowloon Hong Kong	358,000	0.04%
Senior management members of our Company (excluding those who are also Directors of our Company)				
Fang Xiaozhen	Chief operating officer	Room 502, Unit 1, Block 1, No. 81 Cui Yan Road, Wanli District, Nanchang, Jiangxi, PRC	3,268,000	0.33%
Liu Chunbin	Vice president	Room 603, Unit 2, Block 4, No. 899, Yi Yuan Road, Honggutan New District, Nanchang, Jiangxi, PRC	1,395,000	0.14%

Name of the guarantees	Position held within our Group	Address	Number of Shares represented by the RSUs	Approximately percentage of shareholding as at 31 December 2020 (1)
Lu Dong	Vice president	Room 601, Unit 3, Block 1, Jiuzhou Hua Yi Ju, No. 20, Gongnong Road, Wanli District, Nanchang, Jiangxi, PRC	558,000	0.06%
Zhang Min	Vice president	Room 2311, Unit 3, Block 2, No. 668, Shi Mao Road, Honggutan New District, Nanchang, Jiangxi, PRC	518,000	0.05%

Rank/position held with our Group	Number of Shares represented by the RSUs	Approximately percentage of shareholding as at 31 December 2020 (1)
44 management staff and employees of our Group	23,375,000	2.34%

Note:

(1) The calculation is based on the number of 1,000,000,000 Shares in issue as at 31 December 2020.

During the Reporting Period, none of the granted RSUs have been exercised, cancelled or lapsed.

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

As at 31 December 2020, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

INTERESTS IN THE COMPANY

Name of Director/ chief executive	Capacity/Nature of interest	Number of Shares held (1)	Approximate percentage of issued share capital (2)
Mr. Huang (3) (4)	Interest in a controlled corporation	555,000,000	55.50%
Mr. Wang Li (5) (6)	Beneficial owner	2,391,000	0.24%
	Interest of spouse	99,871,000	9.99%
Mr. Bau Siu Fung (7)	Beneficial owner	358,000	0.04%

Notes:

(1) All interest stated are long positions.

(2) The calculation is based on the total number of 1,000,000,000 Shares in issue as at 31 December 2020.

(3) 487,500,000 Shares are registered under the name of Huangyulin Holdings, the issued share capital of which is owned as to 100% by Mr. Huang. Accordingly, Mr. Huang is deemed to be interested in such number of Shares held by Huangyulin Holdings for the purpose of Part XV of the SFO.

(4) 67,500,000 Shares are registered under the name of Chen Lin Elite Holdings, the issued share capital of which is owned as to 100% by Huangyulin Holdings. Accordingly, Huangyulin Holdings is deemed to be interested in such number of Shares held by Chen Lin Elite Holdings for the purpose of Part XV of the SFO.

(5) Mr. Wang Li is interested in the RSUs granted to him under the RSU Scheme entitling him to receive 2,391,000 Shares subject to vesting.

(6) Mr. Wang Li is the spouse of Ms. Huang Yuan. Accordingly, Mr. Wang Li is deemed to be interested in the Shares in which Ms. Huang Yuan is interested.

(7) Mr. Ban Siu Fung is interested in the RSUs granted to him under the RSU Scheme entitling him to receive 358,000 Shares subject to vesting.

INTERESTS IN OTHER MEMBERS OF THE GROUP

Name of Director	Name of other members of the Group	Capacity/ Nature of interest	Approximate percentage of registered capital [(1)]
Mr. Huang	Nanchang Diguan, JAUS, Ruicheng Education and Jishi College [(2)]	Beneficial owner interest in a controlled corporation	74.00% 74.00%

Notes:

(1) All interests stated are long positions.

(2) Nanchang Diguan, JAUS, Ruicheng Education and Jishi College, by virtue of the Contractual Arrangements, all of them are accounted as subsidiaries of the Group. Nanchang Di Guan held 100.00% of the sponsor's interest of JAUS; and Ruicheng Education held 100.00% of the sponsor's interest of Jishi College.

Save as disclosed above, as at 31 December 2020, none of the Directors nor the chief executive of the Company had any interests or short positions in any of the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code; or to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO.

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

So far as the Directors were aware, as at 31 December 2020, the following persons or corporations who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO; or which were required to be disclosed to the Company and the Stock Exchange pursuant to Division 2 and 3 of part XV of the SFO, were as follows:

Name	Capacity/Nature of interest	Number of Shares held (1)	Approximate percentage of issued share capital (2)
Huangyulin Holdings (2)	Beneficial owner	487,500,000	48.75%
	Interest in a controlled corporation	67,500,000	6.75%
Mr. Huang (2) (3)	Interest in a controlled corporation	555,000,000	55.50%
Ms. Xiong Yan (4)	Interest of spouse	555,000,000	55.50%
Huangyuan Holdings	Beneficial owner	97,500,000	9.75%
Ms. Huang Yuan (5) (6) (7)	Interest in a controlled corporation	97,500,000	9.75%
	Beneficial owner	2,371,000	0.24%
	Interest of spouse	2,391,000	0.24%
Mr. Wang Li (8) (9)	Beneficial owner	2,391,000	0.24%
	Interest of spouse	99,871,000	9.99%
Huangguandi Holdings	Beneficial owner	97,500,000	9.75%
Mr. Huang Guandi	Interest in a controlled corporation	97,500,000	9.75%
	Beneficial owner	4,503,000	0.45%

Notes:

(1) All interest stated are long positions.

(2) The entire share capital of Chen Lin Elite Holdings is directly owned by Huangyulin Holdings. Accordingly, Huangyulin Holdings is deemed to be interested in such number of shares held by Chen Lin Elite Holdings.

(3) The entire share capital of Huangyulin Holdings is directly owned by Mr. Huang. Accordingly, Mr. Huang is deemed to be interested in such number of Shares held by Huangyulin Holdings.

(4) Ms. Xiong Yan is the spouse of Mr. Huang. Accordingly, Ms. Xiong Yan is deemed to be interested in the Shares in which Mr. Huang is interested.

(5) The entire share capital of Huangyuan Holdings is directly owned by Ms. Huang Yuan. Accordingly, Ms. Huang Yuan is deemed to be interested in such number of Shares held by Huangyuan Holdings.

(6) Ms. Huang Yuan is the spouse of Mr. Wang Li. Accordingly, Ms. Huang Yuan is deemed to be interested in the Shares in which Mr. Wang Li is interested.

(7) Ms. Huang Yuan is interested in the RSUs granted to her under the RSU Scheme entitling her to receive 2,371,000 Shares subject to vesting.

(8) Mr. Wang Li is interested in the RSUs granted to him under the RSU Scheme entitling him to receive 2,391,000 Shares subject to vesting.

(9) Mr. Wang Li is the spouse of Ms. Huang Yuan. Accordingly, Mr. Wang Li is deemed to be interested in the Shares in which Ms. Huang Yuan is interested.

(10) The entire share capital of Huangguandi Holdings is directly owned by Mr. Huang Guandi. Accordingly, Mr. Huang Guandi is deemed to be interested in such number of Shares held by Huangguandi Holdings.

(11) Mr. Huang Guandi is interested in the RSUs granted to him under the RSU Scheme entitling him to receive 4,503,000 Shares subject to vesting.

Save as disclosed above, as at 31 December 2020, the Directors are not aware of any other person or corporation who had interests or short positions in the Shares or underlying Shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO; or which would require to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2020 and up to the date of this annual report, the Company or its subsidiaries did not purchase, sell or redeem any listed securities of the Company.

Other than the RSU Scheme, there have been no option, convertible securities or similar rights or arrangements, issued or granted by the Group during the Reporting Period and as at the date of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

In the Reporting Period, the Group's largest customers accounted for 2.48% of the Group's total revenue. The Group's five largest customers accounted for 4.58% of the Group's total revenue.

In the Reporting Period, the Group's largest suppliers accounted for 12.1% of the Group's total purchase. The Group's five largest suppliers accounted for 44.9% of the Group's total purchase.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

DIVIDEND POLICY

As we are a holding company, our ability to declare and pay dividends will depend on receipt of dividends and other payments from Chen Lin Education Science, which in turn substantially depends on the service fees paid to Chen Lin Education Science from our Consolidated Affiliated Entities. There remain certain uncertainties with respect to our ability to pay dividends to our Shareholders under the influence of the Amendment Decision which came into effect on 1 September 2017. Pursuant to the Amendment Decision, sponsors of existing private schools engaged in higher education may elect to register the schools as non-profit or for-profit private schools. As at 31 December 2020, we had not made a definitive decision on whether to register our Schools as non-profit or for-profit private schools. If we were to have elected to register our Schools as for-profit private schools, as confirmed by our PRC legal advisor and with reference to our dividend policy, our ability to distribute dividends to our Shareholders will not be materially affected. If we were to have elected to register our School as a non-profit private school, our ability to distribute dividends to our Shareholders may be limited. To mitigate such risks, we have adopted and/or will adopt the following measures: (i) we have established a special committee to mitigate any relevant compliance risks and to advise on the decision to register our Schools as for-profit or non-profit private schools. When making such decision, our Directors will take into consideration a variety of factors including the development of our business and the interests of our Shareholders; (ii) we plan to further strengthen and diversify our offering of education related services to widen our revenue base and to enhance our profitability; and (iii) our ability to pay dividends and other cash distributions to our Shareholders depends solely on our ability to receive dividends and other distributions from Chen Lin Education Science, which in turn depends on the service fees paid to Chen Lin Education Science from our Consolidated Affiliated Entities.

Any amount of dividends we pay will be determined 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. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Subject to the foregoing, our Board intends to recommend at the relevant shareholder's meetings an annual dividend of no less than 25% of our profits available for distribution generated in each financial year beginning from the year ended 31 December 2021.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

HUMAN RESOURCES

As at 31 December 2020, we had 1,198 full-time employees, mostly based in Jiangxi Province.

We hire talents based on business development and operational needs, as well as candidates' integrity and professionalism. Our talent selection policy does not only focus on professional knowledge, experience, relevant qualification, but also on candidates' morality, professional ethics and discipline. We actively attract talents through participating in talent recruitment fairs and industry conference, and encouraging our staff in their respected departments to take advantage of social media to refer and recommend talented candidates to join us.

The remuneration of our employees is based on their performance, experiences, and market comparable. In addition to salary, we also provide various incentives, including share-based compensation such as RSUs granted pursuant to the Company's RSU Scheme as well as performance-based bonuses to better motivate our employees. As required by the PRC law, we contribute to housing funds and maintain mandatory social insurance plans for our employees, covering pension, medical, unemployment, work injury and maternity leave. For the Reporting Period, our employee remuneration totaled to approximately RMB103 million.

For the Reporting Period, we had not experienced any material dispute with our employees or disruption to our operations due to labour dispute and we had not experienced any difficulty in the recruitment and retention of employees.

Details of the pension obligations of the Company are set out in note 9 to the consolidated financial statements in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the minimum public float of not less than 25% as required under the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

At no time during the Reporting Period, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors, except the insurance cover of the legal proceeds against the Directors currently provided by the Company to each Director.

DIRECTORS' REPORT

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices.

The Company has complied with all the applicable code provisions of the CG Code during the year ended 31 December 2020 and up to the date of this annual report.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 29 to 37 of this annual report.

AUDITOR

There has been no change in auditor during the year ended 31 December 2020. The consolidated financial statements for the Reporting Period have been audited by PricewaterhouseCoopers, Certified Public Accountants, who are proposed for reappointment at the forthcoming AGM.

On behalf of the Board
Huang Yulin
Chairman

Nanchang, the PRC
25 March 2021

INDEPENDENT AUDITOR'S REPORT

pwc

羅兵咸永道

To the Shareholders of Chen Lin Education Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Chen Lin Education Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 63 to 134, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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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.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition — tuition and boarding fees
- Assessment of goodwill impairment

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition — tuition and boarding fees	
Refer to note 2.22 "Revenue recognition" in Summary of significant accounting policies and note 5 "Revenue and segment information" to the consolidated financial statements. Revenue of the Group mainly comprised the tuition and boarding fees from students, amounting to RMB258 million in total for the year ended 31 December 2020. These fees are generally received in advance prior to the beginning of each academic year, and are recognised proportionately over the school terms, the boarding periods and the terms of other programmes rendered to students. We focused on this area due to the large volume of transactions with large number of students and significance of the amounts of revenue from tuition and boarding fees.	Our audit procedures in relation to revenue recognition of tuition and boarding fees included the following: — Understood, evaluated and tested the Group's key controls over the admission of students, collection of fees and recognition of tuition and boarding fees over the school terms, the boarding periods and the terms of other programmes rendered to students; — Agreed total number of enrolled students in the respective academic terms to the official students records registered with the relevant education authorities of the People's Republic of China ("**Official Students Records**"), and discussed with management and obtained supporting evidences where differences identified; — Checked, on a sample basis, the existence of the students, their school fees and academic subjects in the academic year by: i) interviewing the respective students, ii) agreeing information in the relevant students' records in the school to the respective students' personal identity cards, school's student cards, and the information in Official Students Records;

KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	— Checked, on a sample basis, the supporting evidence of payments of tuition and boarding fees from students; and — Performed recalculation of the amount of the tuition and boarding fees recognised during the year in accordance with the of school terms, boarding periods and other programmes rendered. Based on the procedures performed, we found the Group's tuition and boarding fees tested were supported by available evidences.
Assessment of goodwill impairment *Refer to note 2.8(i) "Intangible assets — goodwill" in Summary of significant accounting policies, note 4(d) "Impairment of goodwill" in Critical accounting estimates and judgment, note 16 "Intangible assets" and note 31 "Business combinations" to the consolidated financial statements.* The Group recognised goodwill of RMB152 million as at 31 December 2020 arising from an acquisition of a school during year ended 31 December 2020. In assessing the recoverable amount of the Group's cash generating unit ("**CGU**") that includes this goodwill, management engaged an external valuation expert to assist in determining the value-in-use calculation of the CGU, being the present value of the future cash flows expected to be derived from the CGU. Such calculation involved developing assumptions and estimates about the future results of the relevant businesses, including: number of students, growth rates for number of students and fees, and discount rate. No impairment was made after management's assessment.	We obtained an understanding of the management's internal control and assessment process of the impairment assessment of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as the management estimates involved in determining the valuations, including the appropriateness of the significant assumptions adopted. We assessed the competence, capabilities and objectivity of the external valuation experts who assisted management in determining the value-in-use calculation of the CGU.

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KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused our audit effort in this area because of the significance of the goodwill amount, the high degree of uncertainties associated with estimating the future operating performance of the CGU and the complexity and subjectivity of management estimates involved in determining the valuations, including the appropriateness of the significant assumptions adopted.	We assessed management's future cash flow forecasts and calculation of value-in-use of the CGU. Our procedures included: • assessing the appropriateness of the valuation methodology adopted by reference to market practices; • assessing and challenging the key assumptions, including the projected number of students and fees, by comparing with the historical operating results and future operating plans, with reference to the future capital expansion of the CGU; • assessing the discount rates by reference to external data, including the risk factor of comparable school and market risk premium; • assessing and challenging the appropriateness of other key input data by comparing with the approved budget, historical data or future business plan; and • testing the mathematical accuracy of the discounted cash flows calculations. We assessed management's sensitivity analysis to evaluate the assumptions to which the outcome of the discounted cash flows are more sensitive and the degree to which and likelihood that these assumptions may move to trigger an impairment. We found that management's judgements in connection with the impairment assessment of goodwill arising from the acquisition during the year ended 31 December 2020 was supported by the evidences we gathered.

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OTHER INFORMATION

The directors of the Company are responsible for the other information set out in the Company's 2020 annual report. The other information comprises the information included in the management discussion and analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the corporate information, corporate profile, chairman statement, corporate governance report, environmental, social and governance report, board of directors and senior management, report of directors, five years summary and definition which are expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the corporate information, corporate profile, chairman statement, corporate governance report, environmental, social and governance report, board of directors and senior management, report of directors, five years summary and definition, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the audit committee and take appropriate action considering our legal rights and obligations.

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

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

The audit committee is responsible for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with ISAs, we exercise professional 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.

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

- 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 the audit committee all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with 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 Dou Wang, Angel.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Revenue	5	**288,029**	251,092
Cost of revenue	8	**(100,387)**	(79,905)
Gross profit		**187,642**	171,187
Other income	6	**20,744**	36,161
Other expenses	8	**(5,335)**	(5,737)
Other losses — net	7	**(5,019)**	(630)
Net impairment losses on financial assets	8	**(7,753)**	(7,016)
Selling expenses	8	**(11,326)**	(7,340)
Administrative expenses	8	**(78,293)**	(66,126)
Operating profit		**100,660**	120,499
Finance income	10	**1,672**	171
Finance costs	10	**(23,464)**	(23,312)
Finance costs — net	10	**(21,792)**	(23,141)
Profit before income tax		**78,868**	97,358
Income tax expense	11	**(1,409)**	(13,788)
Profit for the year		**77,459**	83,570
Other comprehensive income for the year		**–**	–
Profit and total comprehensive income for the year, all attributable to owners of the Company		**77,459**	83,570
Earnings per share attributable to owners of the Company			
— Basic earnings per share (expressed in RMB per share)	12	**0.08**	0.12
— Diluted earnings per share (expressed in RMB per share)	12	**0.08**	0.11

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	14	**1,001,508**	809,414
Right-of-use assets	15	**76,571**	41,588
Intangible assets	16	**164,574**	518
Other non-current assets	17	**228,922**	44,513
Deferred income tax assets	29	**1,037**	1,146
Term deposits with initial term over one year	22	**1,000**	–
		1,473,612	897,179
Current assets			
Trade receivables	19	**25,997**	29,701
Other receivables and prepayments	20	**33,764**	114,780
Financial assets at fair value through profit or loss	21	**45,687**	–
Cash and cash equivalents	22	**355,594**	415,719
Term deposits with initial term over three months	22	**50,000**	20,000
Restricted bank balances	22	**31,919**	4,314
		542,961	584,514
Total assets		**2,016,573**	1,481,693
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	23	**89**	89
Share premium	23	**452,406**	471,206
Capital reserve	24	**30,000**	30,000
Statutory surplus reserves	24	**112,291**	82,057
Share-based payments reserve	25	**42,720**	14,798
Retained earnings	24	**238,872**	191,647
Total equity		**876,378**	789,797

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	27	**526,826**	330,500
Deferred revenue	28	**16,604**	16,299
Contract liabilities	5	**2,561**	3,113
Other non-current liabilities		**1,819**	3,599
Deferred income tax liabilities	29	**–**	2,398
Lease liabilities	15	**6,641**	227
		554,451	356,136
Current liabilities			
Accruals and other payables	26	**163,136**	69,194
Amount due to a related party	33(c)	**2,501**	2,672
Borrowings	27	**191,958**	101,900
Current income tax liabilities		**33,061**	30,074
Deferred revenue	28	**2,459**	2,005
Contract liabilities	5	**190,296**	129,543
Lease liabilities	15	**2,333**	372
		585,744	335,760
Total liabilities		**1,140,195**	691,896
Total equity and liabilities		**2,016,573**	1,481,693

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 63 to 134 were approved by the Board of Directors on 25 March 2021 and were signed on its behalf.

Mr. Huang Yulin	**Bau Siu Fung**
Chairman	*Director*

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the year ended 31 December 2020

		Equity attributable to owners of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserves RMB'000	Share-based payments reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2019		2	–	30,000	54,230	–	135,904	220,136
Profit for the year		–	–	–	–	–	83,570	83,570
Share-based payments expense		–	–	–	–	14,798	–	14,798
Capitalisation of shares		65	(65)	–	–	–	–	–
Issuance of shares by share offer, net of expenses related to issuance of shares	23	22	471,271	–	–	–	–	471,293
Profit appropriation to statutory reserve	24	–	–	–	27,827	–	(27,827)	–
Balance at 31 December 2019		89	471,206	30,000	82,057	14,798	191,647	789,797
Balance at 1 January 2020		**89**	**471,206**	**30,000**	**82,057**	**14,798**	**191,647**	**789,797**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**77,459**	**77,459**
Share-based payments expense	25	**–**	**–**	**–**	**–**	**27,922**	**–**	**27,922**
Dividends relating to 2019 paid in 2020	36	**–**	**(18,800)**	**–**	**–**	**–**	**–**	**(18,800)**
Profit appropriation to statutory reserve	24	**–**	**–**	**–**	**30,234**	**–**	**(30,234)**	**–**
Balance at 31 December 2020		**89**	**452,406**	**30,000**	**112,291**	**42,720**	**238,872**	**876,378**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	30(a)	**126,028**	183,803
Income tax paid		**(712)**	(536)
Net cash generated from operating activities		**125,316**	183,267
Cash flows from investing activities			
Government grants received relating to purchase of property, plant and equipment	28	**6,170**	5,320
Purchases of financial assets at fair value through profit or loss	21	**(50,955)**	–
Proceeds from disposal of financial assets at fair value through profit or loss	21	**967**	–
Purchases of property, plant and equipment		**(193,850)**	(140,773)
Proceeds from disposal of property, plant and equipment	30(b)	**209**	279
Purchases of intangible assets		**(155)**	(147)
Loan repayments received from third parties		**–**	100
Interest received		**–**	171
Increase in term deposits	22	**(31,000)**	–
Acquisition of a subsidiary	31	**(87,142)**	–
Prepayment in relation to a potential acquisition target	17	**(135,000)**	–
Net cash used in investing activities		**(490,756)**	(135,050)
Cash flows from financing activities			
Proceeds from borrowings		**606,738**	80,000
Repayments of borrowings		**(321,745)**	(43,220)
Proceeds from share issuance upon listing	23	**97,868**	373,425
Increase in restricted bank balances	22	**(27,605)**	(20,314)
Borrowings from a related party		**–**	2,672
Repayments of borrowings to third parties		**–**	(22,850)
Repayments of borrowings to a related party		**(171)**	(442)
Payments of lease liabilities	15	**(1,721)**	(166)
Professional expenses paid for the listing		**(5,013)**	(18,031)
Dividends paid to shareholders of the Company	36	**(18,800)**	–
Interest paid		**(22,198)**	(22,080)
Net cash generated from financing activities		**307,353**	328,994

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 RMB'000	2019 RMB'000
Net (decrease)/increase in cash and cash equivalents		**(58,087)**	377,211
Cash and cash equivalents at the beginning of year		**415,719**	38,508
Exchange losses on cash and cash equivalents		**(2,038)**	–
Cash and cash equivalents at the end of year	22	**355,594**	415,719

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 25 May 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together "**the Group**") provide comprehensive educational services in Jiangxi province of the People's Republic of China (the "**PRC**"). The Group has been operating Jiangxi University of Applied Science (江西應用科技學院) since 1984, and in December 2020, the Group acquired another school, Jiangxi Wenli Jishi College (江西文理技師學院) from a third party.

The ultimate controlling party of the Group is Mr. Huang Yulin, who is an executive director and the chairman of the board of directors of the Company (the "**Controlling Shareholder**").

The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") since 13 December 2019.

The consolidated financial statements are presented in Renminbi ("**RMB**") and rounded to the nearest thousand yuan ("**RMB'000**"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Chen Lin Group Holdings Company Limited and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

New and amended standards adopted by the Group (continued)

New standards and amendments		Effective for annual periods beginning on or after
Amendments to IFRS 3	Definition of a business	1 January 2020
Amendments to IFRS 7, IFRS 9 and IAS 39	Interest Rate Benchmark Reform	1 January 2020
Amendments to IAS 1 and IAS 8	Definition of material	1 January 2020
Revised Conceptual Framework for Financial Reporting		1 January 2020

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2020 and have not been early adopted by the Group. These standards are set out as below:

New standards and amendments		Effective for annual periods beginning on or after
Amendments to IFRS 16	Covid-19-related Rent Concessions	1 June 2020
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018–2020		1 January 2022
IFRS 17	Insurance contracts	Originally 1 January 2021, but extended to 1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	Originally 1 January 2022, but extended to 1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Based on the Group's current assessment, the directors do not expect a material impact on the Group's financial position and performance as a result of the adoption of these new standard and amendments when they become effective.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principles of consolidation and equity accounting

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Subsidiaries controlled through Contractual Arrangements

A wholly-owned subsidiary of the Company, Chen Lin Education Science (Jiangxi) Co., Ltd. ("辰林教育科技(江西)有限責任公司", "**Chen Lin Education Science**"), has entered into a series of contractual agreements (the "**Contractual Agreements**") with Nanchang Di Guan Education Consultancy Co., Ltd. ("南昌迪冠教育諮詢有限公司", "**Nanchang Di Guan**"), Nanchang Ruicheng Education Consulting Company Limited ("南昌瑞誠教育諮詢有限公司"), Jiangxi University of Applied Science and Jiangxi Wenli Jishi College ("江西應用科技學院"和"江西文理技師學院", "**the Schools**"), (collectively the "**Consolidated Affiliated Entities**") and the equity shareholders including Mr. Huang Yulin, Ms. Huang Yuan and Mr. Huang Guandi. The contractual agreements enable Chen Lin Education Science and the Group to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the corporate management and educational management consultancy services, as well as technical and business support services provided by Chen Lin Education Science. Such services include development, design, upgrade and ordinary maintenance on educational software and website; design on college course and major; compilation and selection and/or recommendation on college course materials; recruitment and training supporting on teachers and other employees; admission and enrolment supporting services; public relation services; market research and development services; management and marketing consulting and related services; and other additional services as the parties may mutually agree from time to time;
- obtain an irrevocable and exclusive right to purchase all of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Chen Lin Education Science may exercise such options at any time until it has acquired all equity interests in and/or all assets of the Consolidated Affiliated Entities permitted under the PRC laws and regulations. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Chen Lin Education Science; and
- obtain a pledge over the entire equity interest of the Consolidated Affiliated Entities from their equity holders to secure performance of the obligations of the Consolidated Affiliated Entities under the Contractual Agreements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principles of consolidation and equity accounting (continued)

(a) Subsidiaries controlled through Contractual Arrangements (continued)

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Agreements, the Group 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 considered to control the Consolidated Affiliated Entities. Accordingly, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries under IFRSs. The Group has consolidated the financial position and financial results of the Consolidated Affiliated Entities in the consolidated financial statements during all the years presented or since the date the entity first come under the control of the Group.

Nevertheless, the Contractual Agreements may not be as effective as direct legal ownership in providing the Group direct control over the Consolidated Affiliated Entities, due to the uncertainties presented by the PRC legal system to impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The directors, based on the advice of the Company's legal counsel, consider that the Contractual Agreements with the Consolidated Affiliated Entities and their equity shareholders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

(b) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principles of consolidation and equity accounting (continued)

(b) Business combinations (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised as a gain directly in the consolidated statements of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividends from these investments if the dividends exceeds the total comprehensive income of the subsidiary in the period the dividends is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill. Investments in subsidiaries are also assessed for impairment and written down to their recoverable amounts in accordance with note 2.9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's board of directors that makes strategic decisions.

2.5 Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as profit or loss in the consolidated statements of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity instrument measured at fair value through other comprehensive income (FVOCI) are recognised in other comprehensive income. The Group does not have non-monetary items measured at fair value in a foreign currency during the year.

2.6 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Leases (continued)

The Group's right-of-use assets consist of up-front payments to acquire long-term interest in the usage of land, which are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land and other direct related costs from the date when the respective rights were granted. Amortisation of prepaid land lease payments is calculated on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by the Group in the PRC or the best estimate based on the normal terms in the PRC and is charged to profit or loss in the consolidated statements of comprehensive income.

2.7 Property, plant and equipment

Property, plant and equipment (other than construction in progress) are stated at historical cost less depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their costs, net of their residual values, over their estimated useful lives as follows:

Buildings and building improvements	5–50 years
Vehicles	12 years
Office furniture and fixtures	6–20 years
Electronic equipment	3–12 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of year.

Building improvements are mainly costs for painting the walls of buildings with new environmental protection materials. The useful life of building improvements is estimated to be 5 years.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Construction in progress represents properties under construction and is stated at cost less accumulated impairment losses. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the assets are completed and are ready for operational use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Intangible assets

(i) Goodwill

Goodwill is measured as described in note 2.2(b). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(ii) Student base

The student base intangible assets refer to the registered and existing students of Schools that were acquired by the Group. The students are expected to pay tuition and boarding fees until their graduation. The student base will be generating income for schools in the tuition periods, thus it is identified as an intangible asset based on its fair value on the acquisition date. The student base is amortised using the straight-line method over the respective period until the graduation of the existing students.

(iii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortised using the straight-line method over their estimated useful lives varying from 8 to 12 years. Costs associated with maintaining computer software programmes are recognised as expense as incurred.

The length of useful life of an intangible asset is determined based on (i) estimated period during which such assets can bring economic benefits to the Group; and (ii) the useful life estimated on software of similar nature and functions. The Group reviews the length of useful life at each year end.

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other losses, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss of the consolidated statements of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Investments and other financial assets (continued)

(ii) Measurement (continued)

Debt instruments (continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in "other losses — net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "other losses — net" and impairment losses are presented as a separate line item in profit or loss of the consolidated statements of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "other losses — net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/losses in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables and amounts due from related parties is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the relevant company or the counterparty.

2.12 Trade and other receivables

Trade receivables are amounts due from students of the university and customers for services provided in the ordinary course of business. If collection of trade and receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets, if not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.13 Contract assets and liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2.14 Cash and cash equivalents

Cash is cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. In the consolidated statements of cash flows, cash and cash equivalents includes cash at bank and on hand and short-term bank deposits with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity (note 23).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Accrual and other payables

Accrual and other payables are classified as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accrual and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheets when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

2.18 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Current and deferred income tax (continued)

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

According to the Enterprise Income Tax law, distribution of profits earned by PRC companies is generally subject to withholding tax of 10%, depending on the country of incorporation of the foreign investors, upon the distribution of profits to overseas— incorporated immediate holding companies. A lower withholding tax rate may be levied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. During the reporting period, the Group did not distribute dividends.

2.20 Employee benefits

(i) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceilings. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Employee benefits (continued)

(ii) Housing funds, medical insurances and other social insurances

The PRC employees of the Group are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceilings. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(iii) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(iv) Employee leave entitlement

Employee entitlement to annual leave are recognised when they have accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employees entitlement to sick leave and maternity leave are not recognised until the time of leave.

(v) Bonus plan

The expected cost of bonus is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.21 Share-based payments

The Company set up a Restricted Share Units ("**RSUs**") Scheme as incentive to the eligible employees, including certain directors, senior management members and employees of the Group, in exchange for their services for the Group.

For grant of RSUs, the total amount to be expensed is determined by reference to the fair value of the Company's shares at the grant date.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Revenue recognition

(i) Tuition and boarding fees

Tuition and boarding fees of the Schools are generally received in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the relevant period in which the services are rendered. The portion of tuition and boarding payments received from students but not earned is recorded as contract liabilities. Amounts which will be earned within one year is reflected as a current liability, and which will be earned beyond one year is reflected as a non-current liability.

(ii) Revenue from internship management services

The Group introduces qualified students from the Schools and other schools to participate in the Group's cooperative enterprises' internship programmes and receives management fees from the enterprises with respect to each student the Group introduced. The fee is recognised as revenue over the period of the relevant programmes.

(iii) Revenue from tutoring and programme management services

The Group recognises revenue based on the provision of tutoring services to students from the Schools and other schools. These include provision of tutoring or career development related courses. The fee is recognised as revenue over the period of the relevant tutoring programmes.

The Group also receives the revenue from providing programme orientation and student referral services for enterprises. The revenue is recognised at a point in time when the service obligations are fulfilled and the fee is calculated based on the number of students participating in the programmes.

(iv) Revenue from other education related services

The Group provides several kinds of education related services to students and other parties. Revenue is measured at the consideration received or receivable for the service provided. The Group recognises revenue when it transfers services to a customer.

(v) Other income

Other income consists of government grants, sub-contracting income, commission income and others.

The Group receives income from sub-contracting the canteen catering operations and the campus stores in the school campus to other parties. Income from sub-contracting is recognised evenly over the period of the respective agreements.

The Group receives commission income from education equipment supplying companies for referral of middle and primary schools to be customers of the suppliers. The commission income is based on a portion of the purchase price of the consumable and equipment payable by the schools. The commission income is recognised when sales contract was signed between the education equipment supplying companies and the middle and primary school. The Group also receives fee from other institutions for referral of students to the institutions. The referral fee is generally based on the number of students referred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

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

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred revenue and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.25 Dividends distribution

Dividends distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

The profits of the PRC subsidiaries of the Group are subject to withholding tax at a rate of 10% upon the distribution of such profits to foreign investor in Hong Kong.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

(a) Market risk

Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from Hong Kong dollars ("**HKD**") and US dollars ("**USD**"). The Group does not hedge against any fluctuation in foreign currency.

The sensitivity of profit or loss to changes in the exchange rates arises mainly from HKD and USD denominated cash and cash equivalents, borrowing and financial assets at fair value through profit or loss, other receivables and prepayments.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

Foreign exchange risk (continued)

	Impact on profit before tax	
	2020	2019
	RMB'000	RMB'000
HKD/RMB exchange rate — increase 5%	**2,207**	19,183
HKD/RMB exchange rate — decrease 5%	**(2,207)**	(19,183)
USD/RMB exchange rate — increase 5%	**1,191**	–
USD/RMB exchange rate — decrease 5%	**(1,191)**	–

Interest rate risk

The Group's interest rate risk arises from bank deposits and borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash at bank with variable interest rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. During the year, the Group's borrowings bore interest both at variable rates and fixed rates.

Bank deposits carried at prevailing market interest rate expose the Group to cash flow interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure to ensure it is within an acceptable level. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As at 31 December 2020 and 2019, if interest rate on borrowings had been higher/lower by 50 basis points of current interest rate, with other variables held constant, profit for the years ended 31 December 2020 and 2019 would have been approximately RMB593,000 and RMB1,547,000, lower/higher, respectively.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

The credit risk of the Group's financial assets, which mainly comprise cash and cash equivalents, trade and other receivables and amount due from a related party, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

All of the Group's trade receivables, other receivables and amount due from a related party have no collateral. The Group assessed the credit quality of the counterparties by taking into account their financial position, credit history, forward looking information and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Cash and cash equivalents

As at 31 December 2020, substantially all of the Group's bank deposits were deposited with major financial institutions incorporated in the PRC and Hong Kong, which management believes are of high-credit-quality without significant credit risk.

(ii) Trade receivables

The Group applies the simplified approach to provide for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group trade receivables mainly represents the trade receivables from students for tuition and boarding fee, and from third parties for other services.

For the trade receivables from third parties, the counterparties are primarily large corporations that have strong financial position. The Group maintains frequent communications with the counterparties. Management has closely monitored the credit qualities and the collectability of these receivables and considers that the expected credit risks of them are minimal in view of the history of cooperation with them and forward looking information.

For the trade receivables from students, the loss allowance was determined as follows:

Reporting period	Less than 1 year	1 year to 2 years	More than 2 years
31 December 2020 Expected loss rate	**60%**	**90%**	**100%**
31 December 2019 Expected loss rate	60%	90%	100%

The management writes off trade receivables when there is no reasonable expectations of recovering the trade receivable from students. The management assesses the expected loss rate every year and considers no need to change it during the year.

The loss allowance provision for trade receivables during the year was set out in note 19.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Other receivables

Other receivables at the end of year were mainly receivables due from the government authorities. The directors consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the year. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty;
- significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of the counterparty.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayment demanded.

A default on a financial asset is when the counterparty fails to make contractual payments/repayment demanded within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categories a loan or receivable for write off when a debtor fails to make contractual payments/repayment demanded greater than 365 days past due. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward looking macroeconomic data.

As at 31 December 2020, management consider other receivables as low credit risk as counterparties have a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these receivables are immaterial under the 12 months expected losses method. Thus, the loss allowance provision recognised during the year for these balances is close to zero.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions. Management believes that there is no significant liquidity risk in view of the expected cash flows from operations and continuous support from banks in the coming twelve months.

The tables below analyse the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of year to the contractual maturity date . The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2020					
Borrowings and interests	**217,938**	**169,999**	**299,788**	**132,665**	**820,390**
Amount due to a related party	**2,501**	**–**	**–**	**–**	**2,501**
Other non-current liabilities	**–**	**2,040**	**–**	**–**	**2,040**
Lease liabilities	**2,487**	**2,291**	**2,688**	**2,976**	**10,442**
Accruals and other payables (excluding non-financial liabilities)	**146,438**	**–**	**–**	**–**	**146,438**
	369,364	**174,330**	**302,476**	**135,641**	**981,811**
As at 31 December 2019					
Borrowings and interests	124,248	104,942	258,032	–	487,222
Amount due to a related party	2,672	–	–	–	2,672
Other non-current liabilities	–	2,040	2,040	–	4,080
Lease liabilities	398	232	–	–	630
Accruals and other payables (excluding non-financial liabilities)	54,008	–	–	–	54,008
	181,326	107,214	260,072	–	548,612

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management

The Group's objectives when managing capital are to

- safeguard the Group's ability to continue as a going concern, so that the Group can continue to provide returns for shareholders and benefits for other stakeholders, and

- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the following gearing ratio:

	As at 31 December	
	2020 **RMB'000**	2019 RMB'000
Net debt (note 30 (c))	**327,587**	19,952
Total equity	**876,378**	789,797
Net debt to equity ratio	**37%**	3%

The increases of net debt to equity ratio from 2019 to 2020 is resulted from the increase in borrowings and lease liabilities at a greater extent than the profit earned during the year ended 31 December 2020.

3.3 Fair value estimation

(i) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(i) Fair value hierarchy (continued)

The following table presents the Group's financial assets measured and recognised at fair value at 31 December 2020 on a recurring basis:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVPL (note 21)				
— Equity investments	41,592	–	–	41,592
— Debt investments	–	4,095	–	4,095
Total financial assets	41,592	4,095	–	45,687

There were no transfers between levels 1 and 2 for recurring fair value measurements during the period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over — the — counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments

- the present value of the estimated future cash flows based on observable yield curves

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on the foreign ownership in the Group's school in the PRC (note 2.2(a)). The Group does not have any equity interest in the Consolidated Affiliated Entities. The directors assessed whether or not the Group has control over the Consolidated Affiliated Entities by assessing whether it 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. After assessment, the directors concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Agreements and accordingly the financial position and the operating results of the Consolidated Affiliated Entities are included in the Group's consolidated financial statements throughout the reporting period or since the respective dates of incorporation/establishment, whichever is the shorter period.

Nevertheless, the Contractual Agreements may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The directors, based on the advice of the Company's legal counsel, consider that the Contractual Agreements with the Consolidated Affiliated Entities and their equity shareholders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

(b) Estimated useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives and residual values and consequently the related depreciation charges for its property, plant and equipment, and reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of realisation of economic benefits from property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. If there are significant changes from previously estimated useful lives and residual values, the amount of depreciation expenses may change.

(c) Useful life and impairment of right-of-use assets

The Group's management determines the estimated useful lives and the amortisation method in determining the related amortisation charges for its right-of-use assets. This estimate is based on the management's experience of the actual practice of similar nature and functions and normal terms in the PRC. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of right-of-use assets may not be recoverable. Management will increase the amortisation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT (continued)

(d) Impairment of goodwill

The goodwill arose from the acquisition of subsidiaries. The Group tests whether goodwill has suffered impairment on an annual basis in accordance with the accounting policy stated in note 2.8. The recoverable amount of a CGU is determined based on the higher of FVLCD and VIU which requires the use of estimates and valuation techniques. When applying valuation technique, the Group relies on a number of factors and judgments, including, among others, historical results, business plans, forecasts and market data.

(e) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the note 3.1(b).

(f) Income taxes

According to the Implementation Rules for the Law for Promoting Private Education ("**Implementing Rules**"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatment. The Implementing Rules provide that the private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools, and relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. However, as at the date of issuance of these consolidated financial statements, no separate policies, regulations or rules have been introduced by the authorities in this regard. Based on the historical tax returns filed to the relevant tax authorities, the Schools has historically enjoyed preferential tax treatment since its establishment.

Significant judgement is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to enterprise income tax. 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 tax expense in the period that such determination is made.

5 REVENUE AND SEGMENT INFORMATION

(a) Description of segment and principal activities

The Group is principally engaged in the provision of private tertiary education services in the PRC. The Group's CODM has been identified as the chairman and executive directors of the Board who consider the business from the service perspective.

For the purpose of resource allocation and performance assessment, the CODM reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies set out in note 2. Accordingly, their segment information is aggregated as a single reportable segment. Management of the Group assesses the performance of the reportable segment based on the revenue and gross profit for the year of the Group as presented in the consolidated statements of comprehensive income.

5 REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment revenue

Revenue for the year ended 31 December 2020 and 2019 are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Tuition fees	**236,581**	183,185
Boarding fees	**21,887**	19,316
Internship management fees	**3,123**	10,915
Tutoring and programme management services	**17,427**	30,266
Others	**9,011**	7,410
	288,029	251,092

The analysis of revenue recognised over time and at a point in time as required by IFRS 15 is set out below:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Recognised over time		
Tuition fees	**236,581**	183,185
Boarding fees	**21,887**	19,316
Internship management fees	**3,123**	10,915
Tutoring and programme management services	**12,620**	24,798
Others	**4,960**	3,852
Recognised at a point in time		
Tutoring and programme management services	**4,807**	5,468
Others	**4,051**	3,558
	288,029	251,092

Please refer to note 2.22 for more details about the revenue recognised by the Group.

The Group's revenue is subject to seasonal fluctuations. Where students are required to pay tuition fees at the beginning of that school year in September, recognition of tuition fees may be affected by regular school term breaks and vacation periods.

5 REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment revenue (continued)

The Group's principal market is Jiangxi province of the PRC, most of the Group's revenue and operating profit are derived within Jiangxi province of the PRC, and all of the Group's operations and non-current assets are located in Jiangxi province of the PRC. Due to the similar risks and returns, the Group's CODM considers the Group's business as one geographic location. Accordingly, no geographical segment information is presented.

The Group's subsidiaries provide educational services to a large number of students who are regarding as customers of the Group. No single customer accounted for more than 10% of the Group's revenue during the year.

(c) Contract liabilities

The Group has recognised the following contract liabilities:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Contract liabilities related to tuition fees	**149,124**	107,729
Contract liabilities related to boarding fees	**35,435**	15,473
Contract liabilities related to tutoring and programme management services	**325**	1,016
Contract liabilities related to other revenue	**5,173**	5,218
Contract liabilities related to other income	**2,800**	3,220
	192,857	132,656

The following table shows how much of the revenue and other income recognised in the current year relates to carried-forward contract liabilities:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Tuition fees	**107,451**	88,918
Boarding fees	**15,438**	10,695
Tutoring and programme management services	**1,016**	3,008
Other revenue	**5,218**	3,425
Other income recognised that was included in the balance of contract liabilities at the beginning of the year		
Other income	**420**	908
	129,543	106,954

5 REVENUE AND SEGMENT INFORMATION (continued)

(d) Unsatisfied contracts

The following table shows unsatisfied performance obligations resulting from contracts with students or companies:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Expected to be recognised within one year		
Tuition fees	**148,963**	107,451
Boarding fees	**35,435**	15,438
Tutoring and programme management services	**325**	1,016
Other revenue	**5,173**	5,218
Other income	**400**	420
Expected to be recognised within one to two years		
Tuition fees	**161**	278
Boarding fees	**–**	35
Sub-contracting income	**400**	400
Expected to be recognised more than two years		
Sub-contracting income	**2,000**	2,400
	192,857	132,656

(e) Pledge of revenue proceeds

The Group's long-term borrowings amounting to RMB586,686,000 are secured by the pledge of the right over the collection of tuition fees and boarding fees (note 27).

6 OTHER INCOME

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Government grants and subsidies (a)		
— Recognised from deferred revenue (note 28)	**5,411**	5,006
— Recognised during the year	**554**	12,599
Sub-contracting income (b)	**5,373**	6,060
Commission income	**1,073**	5,935
Dividends from financial assets at FVPL	**1,496**	–
Others	**6,837**	6,561
	20,744	36,161

(a) Government grants and subsidies mainly represent subsidies from government for procurement of laboratory apparatus and equipment, conducting educational programmes and congratulatory subsidies on the listing of the shares of the Company on the Hong Kong Stock Exchange in 2019.

(b) The Group receives income from sub-contracting the canteen catering operations and the campus stores in the Schools' campus to other parties.

The analysis of other income excluding government grants and subsidies recognised over time and at a point in time as required by IFRS 15 is set out below:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Recognised over time		
Sub-contracting income	**5,373**	6,060
Others	**3,824**	4,070
Recognised at a point in time		
Commission income	**1,073**	5,935
Dividends from financial assets at FVPL	**1,496**	–
Others	**3,013**	2,491
	14,779	18,556

7 OTHER LOSSES — NET

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net losses on disposal of property, plant and equipment	**2,617**	1,012
Donation	**1,400**	–
Net fair value losses on financial assets at FVPL (note 21)	**659**	–
Net foreign exchange losses	**467**	–
Gains on disposal of financial assets at FVPL	**(50)**	–
Others	**(74)**	(382)
	5,019	630

8 EXPENSES BY NATURE

The detailed analysis of cost of revenue, other expenses, selling expenses, administrative expenses and net impairment losses on financial assets is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Employee benefit expenses (note 9)	**103,217**	66,024
Depreciation expenses (notes 14 and 15)	**34,557**	30,133
Amortisation expenses (note 16)	**140**	124
Promotion expenses	**13,310**	8,960
Repair and maintenance fees	**12,658**	8,344
Students activities expenses	**8,018**	6,094
Net impairment losses on financial assets (note 19)	**7,753**	7,016
Professional service fees	**6,152**	438
Educational supplies and consumables	**2,609**	3,058
Electricity and water expenses	**3,476**	2,265
Office expenses	**2,026**	1,737
Auditor's remuneration — audit services	**1,800**	1,100
Travelling expenses	**1,619**	3,496
Listing expenses	**–**	21,811
Others	**5,759**	5,524
	203,094	166,124

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Salaries, wages and bonuses	**65,995**	43,143
Share-based payments expense (note 25)	**27,922**	14,798
Contributions to pension plan (a)	**4,221**	3,623
Housing fund, medical insurance and other social insurance	**5,079**	4,460
Total employee benefit expenses	**103,217**	66,024

(a) Contributions to pension plan

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one director (2019: three directors). Their emoluments are reflected in the analysis presented in note 36. Details of the remunerations of the remaining highest paid non-director individuals during the year are set out as follows:

	Year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Salaries, wages and bonuses	**636**	195
Share-based payments	**13,256**	2,536
Contributions to pension plan, housing fund, medical insurance and other social benefits	**85**	47
	13,977	2,778

9 EMPLOYEE BENEFIT EXPENSES (continued)

(b) Five highest paid individuals (continued)

The remaining non-director individuals whose remuneration for the year fell within the following band are as follows:

	Year ended 31 December	
	2020 Number of employees	2019 Number of employees
Emolument band (HK$1,000,001 to HK$2,000,000)	**–**	2
Emolument band (HK$2,000,001 to HK$3,000,000)	**1**	–
Emolument band (HK$3,000,001 to HK$4,000,000)	**2**	–
Emolument band (HK$4,000,001 to HK$5,000,000)	**1**	–

During the year, none of the five highest paid individuals waived or has agreed to waive any emoluments, and none of the five highest paid individuals received emoluments from the Group as inducement to join or upon joining the Group, or as compensation for loss of office.

10 FINANCE COST — NET

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Finance income		
— Interest income derived from deposits	**1,672**	171
Finance costs		
— Interest expenses on bank borrowings	**(23,823)**	(24,493)
— Interest expenses on other borrowings	**(2,342)**	(1,236)
— Finance cost on lease liabilities (note 15)	**(234)**	(17)
— Net foreign exchange losses	**(1,582)**	(1,508)
Less: borrowing costs capitalised on qualifying assets (note 14)	**4,517**	3,942
	(23,464)	(23,312)
Finance costs — net	**(21,792)**	(23,141)

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's borrowings for construction in progress during the year, in this case 5.04% (2019: 4.90%).

11 INCOME TAX EXPENSE

The amount of income tax expense charged to profit or loss in the consolidated statement of comprehensive income represents:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Current income tax		
Current income tax on profits before income tax for the year	**3,698**	12,536
Deferred income tax		
Decrease/(increase) in deferred income tax assets (note 29)	**109**	(1,146)
(Decrease)/increase in deferred income tax liabilities (note 29)	**(2,398)**	2,398
	(2,289)	1,252
Income tax expense	**1,409**	13,788

The Group's principal applicable taxes and tax rates are as follows:

(a) Cayman Islands

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 exempted from Cayman Islands income tax.

(b) British Virgin Islands

The Company's direct subsidiary in the BVI was incorporated under the BVI Companies Act, 2004 and accordingly, is exempted from BVI income tax.

(c) Hong Kong

No provision for Hong Kong profit tax was provided as the Group did not have assessable profits derived from Hong Kong during the year.

(d) Enterprise Income Tax ("EIT")

EIT is provided on assessable profits of entities incorporated in the PRC at the rate of 25% during the years.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy income tax exemption treatment if the sponsors of such schools do not require reasonable returns. The Schools have been granted enterprise income tax exemption for the tuition and boarding income from relevant local tax authorities. For other profits that were not related to providing academic qualification education, the applicable tax rate is 25% (2019:25%) during the year.

11 INCOME TAX EXPENSE (continued)

(e) PRC Withholding Income Tax

The profits of subsidiaries of the Group in the PRC are subject to PRC withholding income tax at a rate of 10% (2019:10%) upon the distribution of such profits to the foreign investors in Hong Kong. Deferred income tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's subsidiaries in the PRC in the foreseeable future.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profit of the consolidated entities as follows:

	Year ended 31 December	
	2020 **RMB'000**	2019 RMB'000
Profit before income tax	**78,868**	97,358
Tax calculated at domestic tax rates applicable to profits in the respective countries	**23,189**	27,835
Tax effects of:		
Net profit from the Schools not subject to tax	**(28,913)**	(24,336)
Withholding income tax on unremitted earnings	**–**	2,398
Expenses not deductible for tax purpose	**5,501**	6,913
Tax losses for which no deferred income tax asset has been recognised	**2,884**	978
Write off deferred income tax liabilities recognised in previous years	**(1,252)**	–
Income tax expense	**1,409**	13,788

Note: The expiration dates of unused tax losses for which no deferred tax asset has been recognised are as follows:

	As at 31 December	
	2020 **RMB'000**	2019 RMB'000
Year of expiration		
2021	**152**	152
2024	**4,835**	4,835
2025	**14,814**	–
	19,801	4,987

The unused tax losses were incurred by subsidiaries that are not likely to generate taxable income in the foreseeable future.

12 EARNINGS PER SHARE

(a) Basic

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	**77,459**	83,570
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**960,000,000**	723,013,699
Basic earnings per share (expressed in RMB per share)	**0.08**	0.12

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversation of all dilutive potential ordinary shares. The Company's potentially dilutive ordinary shares comprised of RSUs scheme.

	Year ended 31 December	
	2020	2019
Profit attributable to owners of the Company (RMB'000)	**77,459**	83,570
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**960,000,000**	723,013,699
Adjustments for RSUs scheme (note 25)	**28,120,000**	40,000,000
Number of shares that would have been issued at fair value:	**(6,049,346)**	(29,638,278)
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**982,070,654**	733,375,421
Diluted earnings per share (expressed in RMB per share)	**0.08**	0.11

13 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Company name	Date of incorporation	Country/Place of incorporation, legal status	Particulars of issued share capital as at 31 December 2020	Ownership interest held by the Group		Principal activities and place of operation
				2020	2019	
Chen Lin Education Development Limited	4 June 2018	The British Virgin Islands ("**BVI**"), limited liability company	US$1	**100%**	100%	Investment holding in BVI
Hong Kong Chen Lin Education Development Limited	14 June 2018	Hong Kong, limited liability company	HK$0.10	**100%**	100%	Investment holding in Hong Kong
Chen Lin Education Science (Jiangxi) Company Limited	5 September 2018	PRC, limited liability company	RMB300,000,000	**100%**	100%	Investment holding in PRC
Yunnan Chen Lin Human Resources Management Company Limited	17 June 2019	PRC, limited liability company	RMB2,000,000	**100%**	100%	Investment holding in PRC
Nanchang Di Guan Education Consultancy Company Limited	17 September 2009	PRC, limited liability company	RMB10,000,000	**100%**	100%	Investment holding in PRC
Jiangxi University of Applied Science	11 April 2002	PRC, school	RMB20,000,000	**100%**	100%	College operations in PRC
Nanchang Angyue Vocational Skills Training School Company Limited	9 April 2020	PRC, limited liability company	RMB2,000,000	**100%**	N/A	Investment holding in PRC
Chen Lin Education Science (Shandong) Company Limited	2 June 2020	PRC, limited liability company	HKD300,000,000	**100%**	N/A	Investment holding in PRC
Nanchang Ruicheng Education Consultancy Company Limited	24 June 2020	PRC, limited liability company	RMB500,000	**100%**	N/A	Investment holding in PRC
Jiangxi Wenli Jishi College	4 November 2019	PRC, school	RMB500,000	**100%**	N/A	College operations in PRC

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings and building improvements RMB'000	Vehicles RMB'000	Office furniture and fixtures RMB'000	Electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2019						
Cost	693,852	7,392	78,245	99,848	58,668	938,005
Accumulated depreciation	(100,182)	(3,409)	(50,990)	(65,132)	–	(219,713)
Net book amount	593,670	3,983	27,255	34,716	58,668	718,292
Year ended 31 December 2019						
Opening net book amount	593,670	3,983	27,255	34,716	58,668	718,292
Additions	–	12	3,700	6,197	111,375	121,284
Transfers	29,575	–	–	10,538	(40,113)	–
Disposals	–	(1,023)	(102)	(166)	–	(1,291)
Depreciation charge (note 8)	(18,738)	(421)	(3,918)	(5,794)	–	(28,871)
Closing net book amount	604,507	2,551	26,935	45,491	129,930	809,414
As at 31 December 2019						
Cost	723,427	5,878	80,590	113,259	129,930	1,053,084
Accumulated depreciation	(118,920)	(3,327)	(53,655)	(67,768)	–	(243,670)
Net book amount	604,507	2,551	26,935	45,491	129,930	809,414
Year ended 31 December 2020						
Opening net book amount	**604,507**	**2,551**	**26,935**	**45,491**	**129,930**	**809,414**
Additions	**–**	**1,422**	**13,209**	**14,205**	**194,553**	**223,389**
Acquisition of subsidiary (note 31)	**–**	**–**	**3,628**	**–**	**–**	**3,628**
Transfers	**243,507**	**–**	**–**	**–**	**(243,507)**	**–**
Disposals	**–**	**(151)**	**(478)**	**(2,197)**	**–**	**(2,826)**
Depreciation charge (note 8)	**(21,768)**	**(434)**	**(3,699)**	**(6,196)**	**–**	**(32,097)**
Closing net book amount	**826,246**	**3,388**	**39,595**	**51,303**	**80,976**	**1,001,508**
As at 31 December 2020						
Cost	**966,934**	**6,005**	**89,037**	**88,004**	**80,976**	**1,230,956**
Accumulated depreciation	**(140,688)**	**(2,617)**	**(49,442)**	**(36,701)**	**–**	**(229,448)**
Net book amount	**826,246**	**3,388**	**39,595**	**51,303**	**80,976**	**1,001,508**

14 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation of property, plant and equipment was included in the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of revenue	**29,386**	25,383
Administrative expenses	**1,789**	2,612
Other expenses	**922**	876
Total	**32,097**	28,871

During the year, the Group capitalised interest on borrowings amounting to approximately RMB4,517,000 (2019: RMB3,942,000), on qualifying assets, respectively (note 10).

Construction-in-progress mainly comprises buildings and building improvements under construction in the PRC.

15 LEASES

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Right-of-use assets		
Land use rights	**39,875**	40,989
Favourable lease (c (ii))	**27,959**	–
Buildings	**6,750**	599
Equipment	**1,987**	–
Total right-of-use assets	**76,571**	41,588
Lease liabilities		
Current	**2,333**	372
Non-current	**6,641**	227
Total lease liabilities	**8,974**	599

15 LEASES (continued)

(b) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets (note 8)		
Land use rights	**1,114**	1,114
Buildings	**1,260**	148
Equipment	**86**	–
	2,460	1,262
Interest expenses (note 10)	**234**	17

The total cash outflow for leases in 2020 was RMB1,721,000 (2019: RMB166,000).

(c) The Group's leasing activities and how these are accounted for

(i) The land for the current campus of Jiangxi University of Applied Science（江西應用科技學院）is allocated land grant by the government free of charge. The Group incurred reclamation and other costs amounting to RMB55,711,000. The allocated land use rights have no definite life of use stated on the relevant land use right certificates, and according to the PRC laws, without the relevant administrative authorities' permission, the schools cannot transfer, lease or mortgage such allocated land. The estimated useful life of the land for this school, for the purpose of calculating the depreciation of the cost incurred for land, is determined to be 50 years which is the best estimate of the useful life based on the normal terms of land use right leases in the PRC.

(ii) The buildings for the current campus of Jiangxi Wenli Jishi College（江西文理技師學院）are leased from a other party under a lease contact with period of 20 years, with the remaining lease period of 11 years from the date of acquisition by the Group in December 2020. The terms of the lease contract are more favourable then the current market terms of leases. Accordingly, a favourable lease right-of-use asset lease amounting to RMB27,959,000 was recognised upon the acquisition of the school in December 2020 (note 31).

(iii) The Group also leases various offices and equipment. Rental contracts are typically made for fixed periods of 2 to 11 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

16 INTANGIBLE ASSETS

	Goodwill RMB'000	Student base RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2019				
Cost	–	–	6,629	6,629
Accumulated amortisation	–	–	(6,134)	(6,134)
Net book amount	–	–	495	495
Year ended 31 December 2019				
Opening net book amount	–	–	495	495
Additions	–	–	147	147
Amortisation (note 8)	–	–	(124)	(124)
Closing net book amount	–	–	518	518
At 31 December 2019				
Cost	–	–	6,776	6,776
Accumulated amortisation	–	–	(6,258)	(6,258)
Net book amount	–	–	518	518
Year ended 31 December 2020				
Opening net book amount	**–**	**–**	**518**	**518**
Acquisition of a subsidiary (note 31)	**152,484**	**11,557**	**–**	**164,041**
Additions	**–**	**–**	**155**	**155**
Amortisation (note 8)	**–**	**–**	**(140)**	**(140)**
Closing net book amount	**152,484**	**11,557**	**533**	**164,574**
At 31 December 2020				
Cost	**152,484**	**11,557**	**3,060**	**167,101**
Accumulated amortisation	**–**	**–**	**(2,527)**	**(2,527)**
Net book amount	**152,484**	**11,557**	**533**	**164,574**

16 INTANGIBLE ASSETS (continued)

Amortisation of the intangible assets was included in the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of revenue	**129**	115
Administrative expenses	**8**	5
Other expenses	**3**	4
Total	**140**	124

17 OTHER NON-CURRENT ASSETS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deposits for a cooperate project (a)	**74,000**	–
Deposits for a potential acquisition target (b)	**135,000**	–
Deposits for purchases of property, plant and equipment	**19,922**	44,513
	228,922	44,513

(a) On 31 August 2020, the Group's Consolidated Affiliated Entity, Jiangxi University of Applied Science (江西應用科技學院), entered into a management agreement with Guizhou Vocational College of Industry and Trade (貴州工貿職業學校) ("**Guizhou College**") for the support of management services to the operations of the Guizhou College. Pursuant to the management agreement, the Group made a deposit of RMB74,000,000 to the Guizhou College as a performance guarantee which will be refunded to the Group in November 2022. In addition, the Group will receive annual management fee, calculated at RMB5,000 per student per annum and payable annually from November 2021, from the Guizhou College.

(b) On 28 October 2020, Nanchang Di Guan, a subsidiary of the Group, entered into a memorandum of intent with the holding company and the ultimate owners of the Guizhou College in relation to an intention of acquisition of the Guizhou College by the Group. Pursuant to the memorandum of intent, the Group made a deposit amounting to RMB135,000,000 to the ultimate owner of the Guizhou College. The prepayment made by the Group is secured by the pledge of 100% of the equity interest in the holding company of the Guizhou College and a personal guarantee from the ultimate owners of the Guizhou College.

18 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents (note 22)	**355,594**	415,719
Restricted bank balances (note 22)	**31,919**	4,314
Term deposits with initial term over three months (note 22)	**50,000**	20,000
Term deposits with initial term over one year (note 22)	**1,000**	–
Trade receivables (note 19)	**25,997**	29,701
Other receivables excluding prepayments (note 20)	**30,341**	114,559
Financial assets at fair value through profit or loss (note 21)	**45,687**	–
	540,538	584,293
Financial liabilities		
Financial liabilities at amortised cost		
Borrowings (note 27)	**718,784**	432,400
Accruals and other payables excluding non-financial liabilities (note 26)	**146,438**	54,365
Amount due to a related party (note 33(c))	**2,501**	2,672
Other non-current liabilities	**1,819**	3,599
Lease liabilities (note 15)	**8,974**	599
	878,516	493,635

19 TRADE RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables		
— related to students fees	**16,432**	13,224
— related to other services	**20,927**	25,448
	37,359	38,672
Provision for impairment	**(11,362)**	(8,971)
	25,997	29,701

(a) Ageing analysis of the trade receivables

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school years, which normally commences in September of the year. The trade receivables represent tuition and boarding fees receivable from students who have not settled the fees on time. There is no significant concentration of credit risk.

As at 31 December 2020 and 2019, the ageing analysis of the trade receivables based on the transaction date is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Up to 1 year	**31,298**	34,790
1 to 2 years	**4,335**	3,429
2 to 3 years	**1,403**	272
Over 3 years	**323**	181
	37,359	38,672

Ageing for trade receivables related to other services is less than 1 year.

19 TRADE RECEIVABLES (continued)

(b) Impairment of trade receivables

Movements in the provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
At the beginning of the year	**8,971**	4,996
Provision for receivables impairment loss (note 8)	**7,753**	7,016
Written-off of uncollectible receivables	**(5,362)**	(3,041)
At the end of the year	**11,362**	8,971

(c) Fair values of trade receivables

The carrying amounts of trade receivables approximated their fair values as at the balance sheet date and were denominated in RMB.

20 OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Deposit for campus constructions	**16,952**	2
Other receivables	**8,385**	2,143
Government subsidy receivable	**5,000**	12,000
Prepayments to suppliers	**3,423**	221
Proceeds receivable from share issuance upon listing	**–**	100,414
	33,760	114,780

The deposit for campus construction were paid to the government and will be refunded to the Group upon certain stage of campus constructions.

The carrying amounts of other receivables and prepayments approximated their fair values as at the balance sheet date. Except for the proceeds from listing, other receivables and prepayments were denominated in RMB.

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current assets		
Financial assets at FVPL		
— Equity investment, listed (a)	**41,592**	–
— Debt investment, unlisted (b)	**4,095**	–
	45,687	–

(a) Equity investment

Movements in equity investment is analysed as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Securities listed on the Hong Kong Stock Exchange		
At 1 January	**–**	–
Additions	**46,955**	–
Disposals	**(967)**	–
Fair value losses (note 7)	**(754)**	–
Foreign exchange losses	**(3,642)**	–
At the end of year	**41,592**	–

As at 31 December 2020, equity investment financial assets at FVPL represented the Group's equity investment in companies listed on the Hong Kong Stock Exchange, which are quoted on an active market.

The equity investment financial asset at FVPL are pledge as security for the Group's borrowings from a financial institution amounting to RMB4,098,000 (note 27).

21 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

(b) Debt investment

Movements in debt investment is analysed as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Wealth management products purchased from banks		
At 1 January	**–**	–
Additions	**4,000**	–
Fair value gains (note 7)	**95**	–
At the end of year	**4,095**	–

The financial assets at FVPL are denominated in the following currencies:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
HKD	**41,592**	–
RMB	**4,095**	–
	45,687	–

22 CASH AND CASH EQUIVALENTS, RESTRICTED BANK BALANCES AND TERM DEPOSITS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Current assets		
Cash and cash equivalents	**355,594**	415,719
Term deposits with initial term over three months	**50,000**	20,000
Restricted bank balances	**31,919**	4,314
	437,513	440,033
Non-current assets		
Term deposits with initial term over one year	**1,000**	–
	438,513	440,033

Cash and cash equivalents, restricted bank balances and term deposits are denominated in the following currencies:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
RMB	**408,038**	156,789
USD	**23,825**	–
HKD	**6,650**	283,244
	438,513	440,033

The restricted bank balances as at 31 December 2020 were deposits pledged as security for the Group's short-term bank borrowings amounting to RMB30,000,000 (note 27).

23 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Nominal value HK$
Authorised:		
As at 31 December 2018, at HK$0.1 each	3,800,000	380,000
Share subdivision	3,796,200,000	–
As at 31 December 2019 and 2020, at HK$0.0001 each	3,800,000,000	380,000

	Number of shares	Share capital RMB'000	Share premium RMB'000
Issued:			
As at 1 January 2019	25,000	2	–
Share subdivision	24,975,000	–	–
Shares issued pursuant to capitalisation shares	725,000,000	65	(65)
New shares issued pursuant to the global offering	250,000,000	22	471,271
As at 31 December 2019	1,000,000,000	89	471,206
Dividend relating to 2019 paid in 2020	–	–	(18,800)
As at 31 December 2020	1,000,000,000	89	452,406

The Company was incorporated on 25 May 2018 with an authorised share capital of HK$380,000 divided into 3,800,000 ordinary shares of HK$0.1 each. On the same day, one ordinary share was allotted and issued at par value to the initial subscriber. On 24 July 2018, the Company issued and allotted an additional 24,999 shares at par value.

Pursuant to a shareholders' meeting held on 18 November 2019, conditional on the listing, all the above-mentioned issued and unissued ordinary shares of the Company with a par value of HK$0.1 each were subdivided into 3,800,000,000 ordinary shares with a par value of HK$0.0001 each. Also, directors shall be authorised to allot and issue a total of 725,000,000 ordinary shares credited as fully paid at par value to the shareholders of the Company by way of capitalisation of the sum of HK$72,500 (RMB65,000 equivalent) standing to the credit of the share premium account of the Company upon listing.

On 13 December 2019, the shares of the Company were listed on the Hong Kong Stock Exchange. In connection with the listing, 250,000,000 shares of HK$0.0001 each were issued at the offer price of HK$2.2, with gross proceeds of HK$550,000,000 (approximately RMB494,274,000), of which approximately RMB22,000 was credited to the share capital account and approximately RMB471,271,000, after netting off expenses related to issuance of shares of approximately RMB22,981,000, was credited to the share premium account.

24 RESERVES

(a) Capital reserve

Capital reserve represents the aggregate paid-in capital of the subsidiaries acquired, offset by investment costs in subsidiaries of the Company during the reorganisation.

(b) Statutory surplus reserves

Pursuant to the relevant laws and regulations 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) statutory reserve fund of the limited liability companies;

(ii) general reserve fund of foreign invested enterprise; and

(iii) the development fund of the Schools.

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group (the "**PRC Subsidiaries**"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserve fund before distributing the net profit. When the balance of the statutory reserve fund reaches 50% of the registered capital of the PRC Subsidiaries, any further appropriation is at the discretion of shareholders. The statutory reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding, provided that the remaining balance of the statutory reserve fund after such issue is not less than 25% of registered capital.

Pursuant to the laws applicable to China's Foreign Investment Enterprises, the Company's subsidiary that is a foreign investment enterprise in China has to make appropriations from its after-tax profit (as determined under PRC accounting standards) to reserve funds including (1) general reserve fund, (2) enterprise expansion fund and (3) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC accounting standards. Appropriation is not required if the reserve fund has reached 50% of the registered capital of the respective company. Appropriations to the other two reserve funds are at the subsidiary's discretion.

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

24 RESERVES (continued)

(c) Retained earnings

The sponsor of non-profit private schools shall not receive proceeds from the running of the school, and the cash surplus of the non-profit private schools shall be retained for the school development only. As a result of these and other restrictions under PRC laws and regulations, the Group's schools incorporated in the PRC are restricted in their ability to transfer profit or a portion of their net assets to the Company either in the form of dividends, loans or advances. The retained earnings of the Group as at 31 December 2020 of RMB238,872,000 (2019: RMB191,674,000) included RMB30,234,000 (2019: RMB27,827,000) retained surplus of the Group's schools in the PRC and their surplus is not distributable.

25 SHARE-BASED PAYMENTS

RSUs Scheme

On 20 August 2019, the Company set up a RSUs Scheme (note 2.21) to incentivise the eligible employees, including certain directors, senior management members and employees of the Group, in exchange for their services for the Group. Pursuant to the RSUs Scheme, on 20 August 2019, approximately 4.00% of the total issued share capital of the Company, in which the board of directors of the Company selects at its discretion the RSUs eligible persons to receive RSUs under the RSUs Scheme.

The RSUs awards and vest in tranches from the grant date over a certain service period, on the condition that employees remain in service without any performance requirements. Once the vesting conditions of the respective RSUs are met, the RSUs are considered duly and validly issued to the holder.

Movements in the number of RSUs granted and the respective weighted average grant date fair value are as follows:

	Year ended 31 December Number of RSUs	
	2020	2019
As at 1 January	**40,000,000**	–
Granted during the year	**–**	40,000,000
Forfeited during the year	**(11,880,000)**	–
Exercisable as at 31 December	**28,120,000**	40,000,000

The fair value of each RSU at the grant date is determined by reference to the fair value of the underlying ordinary shares on the date of grant.

The total share-based payments expense recognised in the statements of comprehensive income are RMB27,922,000 (2019: RMB14,798,000) for the years ended 31 December 2020.

25 SHARE-BASED PAYMENTS (continued)

RSUs Scheme (continued)

The following assumptions were used to calculate the fair values of the RSUs by using Black-Scholes Model:

	RSUs granted on 20 August 2019
Weighted average grant date fair value per RSU (RMB)	1.78
Expected life	0.32 years
Expected volatility (a)	46.21%
Risk-free rate (b)	2.23%

(a) Expected volatility is calculated based on the historical annualised volatility of comparable companies obtained from Bloomberg.

(b) Risk free rate is calculated based on the 3 month and 6 month yield rates of Hong Kong Treasury bonds, taking into account the expected life of the RSU. The yield rates as at valuation date are sourced from Bloomberg.

26 ACCRUALS AND OTHER PAYABLES

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Employee benefit payables	**9,311**	7,326
Payables for purchases of property, plant and equipment	**19,946**	13,303
Payables to suppliers on behalf of students	**6,921**	4,603
Payables to students:		
— Prepayments received from students (a)	**3,913**	4,861
— Government subsidies and other payables to students (b)	**5,580**	3,059
— Insurance fund from government (c)	**5,323**	6,019
Retention money payables for campus constructions	**1,144**	1,057
Other taxes payable	**7,387**	7,503
Payables for listing expenses	**–**	5,013
Payables for the acquisition of a subsidiary (note 31)	**89,800**	–
Other payables and accruals	**13,811**	16,450
	163,136	69,194

26 ACCRUALS AND OTHER PAYABLES (continued)

(a) The Group purchases books and other materials from suppliers on behalf of students and receives prepayments from students.

(b) The Group receives subsidies from government for distribution to students as scholarship, subsidies or other forms of incentives to students.

(c) The Group receives medical insurance funds from government for payment to students when they apply with related reimbursement supporting.

The carrying amounts of accruals and other payables approximated their fair value at the balance sheet date and were dominated in RMB.

27 BORROWINGS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Non-current:		
Long-term bank borrowings, secured	**454,500**	330,500
Long-term bank borrowings, unsecured	**12,000**	–
Long-term borrowings from a financial institution, secured	**60,326**	–
	526,826	330,500
Current:		
Current portion of long-term bank borrowings, secured	**56,110**	101,900
Current portion of long-term bank borrowings, unsecured	**16,000**	–
Current portion of long-term borrowings from a financial institution, secured	**15,750**	–
Short-term bank borrowings, secured	**30,000**	–
Short-term bank borrowings, unsecured	**70,000**	–
Short-term borrowings from a financial institution, secured	**4,098**	–
	191,958	101,900
Total borrowings	**718,784**	432,400

For the years ended 31 December 2020, the weighted average effective interest rates on bank borrowings were 5.60% (2019: 5.48%).

27 BORROWINGS (continued)

(a) Details of securities and guarantees to the borrowings

The Group's long-term bank borrowings are obtained in the PRC, of which RMB510,610,000 (2019: RMB432,400,000) were secured by the pledge of the rights over the tuition fees and boarding fees of the Group's school, Jiangxi University of Applied Science and the subsidiaries of the Group (note 5(e)), and the remaining RMB28,000,000 (2019:nil) were supported by the guarantees from Mr. Huang Yulin and his family members.

The Group's long-term borrowings from a financial institution are obtained in the PRC and secured by the pledge of the rights over the tuition fees and boarding fees of the Group's school, Jiangxi University of Applied Science and the subsidiaries of the Group (note 5(e)), and supported by the guarantees from Mr. Huang Yulin and his family members.

The Group's short-term bank borrowings are obtained in the PRC, of which RMB30,000,000 (2019:nil) were secured by the pledge of restricted bank balances amounting to RMB31,600,000 (note 22), and the remaining RMB70,000,000(2019:nil) were supported by the guarantees from Mr. Huang Yulin and his family members.

The Group's short-term borrowings from a financial institution are obtained in Hong Kong and were secured by the pledge of the equity investment of the Group (note 21).

(b) Repayment periods

The Group's borrowings as at the balance sheet date are repayable as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	**191,958**	101,900
Between 1 and 2 years	**144,899**	87,500
Between 2 and 5 years	**262,927**	243,000
Over 5 years	**119,000**	–
Total	**718,784**	432,400

(c) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 3.1.

27 BORROWINGS (continued)

(d) Denomination currency

The Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
RMB	**714,686**	432,400
HKD	**4,098**	–
	718,784	432,400

The carrying amounts for majority of the borrowings approximated their fair values as they were carried at floating interest rates.

(e) Borrowing facilities

The Group has the following undrawn bank borrowing facilities：

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
— Expiring within one year	**–**	100,500
— Expiring beyond one year	**332,000**	50,600
	332,000	151,100

28 DEFERRED REVENUE

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Government grants		
Non-current	**16,604**	16,299
Current	**2,459**	2,005
Total	**19,063**	18,304

The government grants were received from the local government as subsidies to the Group's purchase of property, plant and equipment. They are amortised to the profit or loss on a straight-line basis over the expected useful lives of the related assets.

The movements of the above deferred revenue during the year were as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
As at 1 January	**18,304**	17,990
Additions	**6,170**	5,320
Released to other income (note 6)	**(5,411)**	(5,006)
As at 31 December	**19,063**	18,304

29 DEFERRED INCOME TAX ASSETS AND LIABILITIES

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	As at 31 December	
	2020 **RMB'000**	2019 RMB'000
Deferred income tax assets:		
Deferred income tax assets to be recovered within 12 months	**1,037**	1,146
Deferred income tax liabilities:		
Deferred income tax liabilities to be recovered within 12 months	**–**	(2,089)
Deferred income tax liabilities to be recovered more than 12 months	**–**	(309)
	–	(2,398)
Net	**1,037**	(1,252)

The gross movements on the deferred income tax account are as follows:

	Temporary difference in respect of accruals RMB'000	Withholding income tax on unremitted earnings RMB'000	Tax losses RMB'000	Total RMB'000
As at 31 December 2019	1,146	(2,398)	–	(1,252)
(Charged)/Credited to the profit or loss (note 11)	(796)	2,398	687	2,289
As at 31 December 2020	350	–	687	1,037

There were no significant unrecognised deferred tax assets and liabilities as at 31 December 2020 and 2019.

30 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	**78,868**	97,358
Adjustments for		
— Depreciation of property, plant and equipment (note 14)	**32,097**	28,871
— Depreciation of right of use assets (note 15)	**2,460**	1,262
— Amortisation of intangible assets (note 16)	**140**	124
— Finance costs — net (note 10)	**23,464**	23,141
— Net impairment losses on financial assets (note 19)	**7,753**	7,016
— Non-cash employee benefits expense — share based payments (note 25)	**27,922**	14,798
— Losses on disposal of property, plant and equipment (note 7)	**2,617**	1,012
— Net fair value losses on financial assets at fair value through profit or loss (note 21)	**659**	–
— Net exchange differences	**2,694**	–
— Amortisation of deferred revenue (note 28)	**(5,411)**	(5,006)
Changes in working capital:		
— Contract liabilities	**41,373**	22,479
— Accruals and other payables	**(2,048)**	25,905
— Trade and other receivables and prepayments	**(86,560)**	(33,157)
Net cash generated from operating activities	**126,028**	183,803

(b) Proceeds from disposal of property, plant and equipment

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Net book value (note 14)	**2,826**	1,291
Losses on disposal of property, plant and equipment (note 7)	**(2,617)**	(1,012)
Proceeds from the disposal	**209**	279

30 CASH FLOW INFORMATION (continued)

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Net debt	As at 31 December 2020 RMB'000	2019 RMB'000
Cash and cash equivalents (note 22)	**355,594**	415,719
Financial asset at FVPL (note 21)	**45,687**	–
Borrowings (note 27)	**(718,784)**	(432,400)
Amount due to a related party — loan nature (note 33)	**(2,501)**	(2,672)
Lease liabilities (note 15)	**(8,974)**	(599)
Net debt	**(328,978)**	(19,952)

	Liabilities from financing activities				Other assets		
	Borrowings RMB'000	Loans from related and third parties RMB'000	Leases RMB'000	Sub-total RMB'000	Cash and cash equivalents RMB'000	Liquid investments RMB'000	Total RMB'000
Net debt as at 31 December 2018	(395,620)	(23,292)	–	(418,912)	38,508	–	(380,404)
Cash flows	(36,780)	20,620	166	(15,994)	377,211	–	361,217
New leases	–	–	(748)	(748)	–	–	(748)
Other changes (i)	–	–	(17)	(17)	–	–	(17)
Net debt as at 31 December 2019	**(432,400)**	**(2,672)**	**(599)**	**(435,671)**	**415,719**	**–**	**(19,952)**
Cash flows	**(284,993)**	**171**	**1,721**	**(283,101)**	**(58,087)**	**49,988**	**(291,200)**
New leases	**–**	**–**	**(10,330)**	**(10,330)**	**–**	**–**	**(10,330)**
Other changes (i)	**(1,391)**	**–**	**234**	**(1,157)**	**(2,038)**	**(4,301)**	**(7,496)**
Net debt as at 31 December 2020	**718,784**	**(2,501)**	**(8,974)**	**(730,259)**	**355,594**	**45,687**	**(328,978)**

(i) Other changes include non-cash movements, including accrued interest expense, foreign exchange loss and net fair value losses due from financial assets at fair value which will be presented as operating cash flows in the statement of cash flow when paid.

31 BUSINESS COMBINATION

On 23 December 2020, a subsidiary of the Company, Nanchang Di Guan Education Consultancy Company Limited, entered into an agreement with a third party to acquire 100% of the equity interest in Nanchang Ruicheng Education Consultancy Company Limited, which holds 100% ownership of Jiangxi Wenli Jishi College. The total purchase consideration was RMB188,000,000, payable in cash, and the identifiable net assets acquired was RMB35,516,000.

Details of the purchase consideration, the identifiable net assets acquired and the resultant goodwill are as follows:

	RMB'000
Purchase consideration:	
Cash paid	98,200
Consideration payable (note 26)	89,800
Total purchase consideration	188,000

Acquisition-related costs amounting to RMB419,000 were excluded from the purchase consideration and were recognised as expenses during the year ended 31 December 2020.

The identifiable assets and liabilities recognised at the date of acquisition are as follows:

	Fair value RMB'000
Cash and cash equivalents	11,058
Other receivables and prepayments	5,348
Right-of-use assets (note 15)	
— Buildings	2,881
— Favourable lease	27,959
Property, plant and equipment (note 14)	3,628
Intangible assets — student base (note 16)	11,557
Other payables	(4,830)
Contract liabilities	(18,828)
Lease liabilities	(3,257)
Total identifiable net assets at fair value	35,516

31 BUSINESS COMBINATION (continued)

Goodwill arising on acquisition:

	RMB'000
Purchase consideration	188,000
Less: Fair value of identifiable net assets acquired	(35,516)
Goodwill arising on acquisition	152,484

Goodwill arose in the acquisition of Jiangxi Wenli Jishi College because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the revenue growth, future market development and preferential policy of Jiangxi Wenli Jishi College. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash outflow during the year on the acquisition:

	RMB'000
Consideration paid in cash	98,200
Less: cash and cash equivalent balances acquired	(11,058)
Net outflow of cash — investing activities	87,142

Impact of acquisition on the results of the Group:

Since the date of acquisition was approaching to the end of year 2020, no profit nor revenue was attributable to the Group for the year ended 31 December 2020.

32 COMMITMENTS

(a) Capital expenditure commitments

Significant capital expenditure commitments are set out below:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Contracted but not recognised as liabilities		
— Commitments for acquisition of property, plant and equipment	**197,751**	191,044

33 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

The owners, members of key management and their close family members of the Group are also considered as related parties. In the opinion of the directors, the related party transactions were carried out in the normal course of business of the Group and at terms negotiated between the Group and the respective related parties.

(a) Related parties of the Group

Name of related parties	Relationship
Mr. Huang Yulin	The Controlling Shareholder, chairman and executive director

In addition to the above, the Group also had transactions with the relatives and affiliated persons of the Controlling Shareholders.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business for the year ended 31 December 2020 and 2019, and the balances arising from related party transactions as at the respective balance sheet dates.

(b) Transactions with related parties

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
(i) Loans from a related party		
— Mr. Huang Yulin	**–**	2,672
(ii) Guarantees provided by related parties to the Group's bank borrowings:		
— Mr. Huang Yulin and his family members (note 27(a))	**223,295**	–
	223,295	2,672

33 RELATED PARTY TRANSACTIONS (continued)

(c) Balances with related parties

	As at 31 December	
	2020 **RMB'000**	2019 RMB'000
Amount due to a related party — Mr. Huang Yulin (non-trade)	**2,501**	2,672

The amount due to a related party is unsecured, non-interest bearing and payable on demand.

(d) Key management compensation

Key management includes directors (executive and non-executive), executive officers, and the Company's secretary. The compensation paid or payable to key management for employee services is as follows:

	As at 31 December	
	2020 **RMB'000**	2019 RMB'000
Salaries and bonuses	**7,001**	4,448
Share-based payments	**9,616**	6,151
Other benefits	**2,894**	371
	19,511	10,970

34 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY

(a) Balance sheet of the Company

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Assets		
Non-current assets		
Investments in subsidiaries	**789,000**	789,000
Current assets		
Other receivables and prepayments	**–**	100,414
Amounts due from subsidiaries	**419,506**	89,312
Cash and cash equivalents	**797**	281,948
	420,303	471,674
Total assets	**1,209,303**	1,260,674
Liabilities		
Current liabilities		
Other payables	**–**	5,013
Amounts due to subsidiaries	**8,919**	36,474
Total liabilities	**8,919**	41,487
Equity		
Share capital	**89**	89
Share premium	**452,406**	471,206
Other reserves	**789,000**	789,000
Shares-based payments reserve	**42,720**	14,798
Accumulated losses	**(83,831)**	(55,906)
Total equity	**1,200,384**	1,219,187
Total equity and liabilities	**1,209,303**	1,260,674

The balance sheet of the Company was approved by the Board of Directors on 25 March 2021 and was signed on its behalf.

Mr. Huang Yulin	**Mr. Bau Siu Fung**
Chairman	*Director*

34 BALANCE SHEET AND RESERVE MOVEMENTS OF THE COMPANY (continued)

(b) Reserve movements of the Company

	Other reserve RMB'000	Share premium RMB'000	Accumulated losses RMB'000	Share-based payments reserve RMB'000	Total RMB'000
At 1 January 2019	789,000	471,206	(17,492)	–	1,242,714
Loss for the year	–	–	(38,414)	–	(38,414)
Share-based payments expense	–	–	–	14,798	14,798
At 31 December 2019	789,000	471,206	(55,906)	14,798	1,219,098
At 1 January 2020	**789,000**	**471,206**	**(55,906)**	**14,798**	**1,219,098**
Loss for the year		**–**	**(27,925)**	**–**	**(27,925)**
Dividends relating to 2019 paid in 2020 (note 36)	**–**	**(18,800)**	**–**	**–**	**(18,800)**
Share-based payments expense	**–**	**–**	**–**	**27,922**	**27,922**
At 31 December 2020	**789,000**	**452,406**	**(83,831)**	**42,720**	**1,200,295**

35 BENEFITS AND INTERESTS OF DIRECTORS

(a) Benefits and interests of directors

The remuneration of each director of the Company paid/payable by the Group for the year ended 31 December 2020 and 2019 are set out as follows:

Name of directors	Directors' Fee RMB'000	Basic salaries RMB'000	Share-based payments expense RMB'000	Welfare, medical and other expenses RMB'000	Total RMB'000
For the year ended 31 December 2020					
Chairman					
Mr. Huang Yulin	2,020	1,457	–	67	3,544
Executive directors					
Mr. Huang Boqi (i)	–	1,347	–	13	1,360
Mr. Zheng Junhui	–	168	–	11	179
Mr. Li Cunyi	–	72	–	–	72
Ms. Gan Tian	–	240	–	47	287
Mr. Wang Li	–	240	2,374	45	2,659
Mr. Bau Siu Fung	–	1,641	355	15	2,011
Independent non-executive directors					
Mr. Chen Wanlong	125	–	–	–	125
Mr. Wang Donglin	125	–	–	–	125
Mr. Huang Juyun	125	–	–	–	125
Mr. Chan Hon Ki	125	–	–	–	125
	2,520	5,165	2,729	198	10,612

35 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Benefits and interests of directors (continued)

Name of directors	Directors' Fee RMB'000	Basic salaries RMB'000	Share-based payments expense RMB'000	Welfare, medical and other expenses RMB'000	Total RMB'000
For the year ended 31 December 2019					
Chairman					
Mr. Huang Yulin	–	808	–	74	882
Executive directors					
Mr. Huang Boqi(i)	–	860	–	8	868
Mr. Zheng Junhui	–	160	–	38	198
Mr. Li Cunyi	–	72	1,179	–	1,251
Ms. Gan Tian	–	176	1,388	41	1,605
Mr. Wang Li	–	156	885	44	1,085
Mr. Bau Siu Fung	–	1,335	132	8	1,475
Independent non-executive directors					
Mr. Chen Wanlong	4	–	–	–	4
Mr. Wang Donglin	4	–	–	–	4
Mr. Huang Juyun	4	–	–	–	4
Mr. Chan Hon Ki	4	–	–	–	4
	16	3,567	3,584	213	7,380

(i) Mr. Huang Boqi was the chief executive officer of Group from 1 June 2019 to 30 October 2020 and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

35 BENEFITS AND INTERESTS OF DIRECTORS (continued)

(b) Other disclosures

There were no retirement benefits paid to or receivable by any director in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries during the years ended 31 December 2020 (2019:nil).

There were no termination benefits paid to or receivable by any director during the years ended 31 December 2020 (2019:nil).

No payment was made to the directors for making available the services of them as a director of the Company during the years ended 31 December 2020 (2019:nil).

Details of the RSUs granted in current year is set out in note 25 of the financial statements.

Other than those disclosed in note 33(b), there were no loans, quasi-loans and other dealings entered into between the Group and the directors and in favour of the directors during the years ended 31 December 2020 (2019:nil).

Other than those as disclosed in note 27 and note 33(b), there are no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time for the year.

36 DIVIDENDS

	As at 31 December	
	2020 **RMB'000**	2019 RMB'000
Proposed final dividends of RMB0.0187 (2019: RMB0.0188) per ordinary share	**18,700**	18,800

The dividend paid in year 2020 amounting to RMB18,800,000 was related to the dividends proposed for year 2019.

A final dividend in respect of the year ended 31 December 2020 of RMB0.0187 per share, amounting to a total of RMB18,700,000 was proposed by the board of directors on 25 March 2021 and is subject to the approval by the Company's shareholders in the forthcoming annual general meeting. The proposed dividends will be distributed out of the share premium account of the Company. These financial statements do not reflect this dividends payable.

ESG REPORT

ABOUT THIS REPORT

Summary

This is the first Environmental, Social and Governance Report published by the Group. Based on the principles of objectivity, normativity, transparence and comprehensiveness, the report provides a detailed disclosure of the Group's practice and performance in areas such as environment, society and governance responsibility in 2020.

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

This report covers our Company and its Consolidated Affiliated Entities, namely Nanchang Di Guan, JAUS, Ruicheng Education and Jishi College. The materials published and statistically reported in the Report are from 1 January 2020 to 31 December 2020, which are in line with the fiscal year covered by the Group's Annual Report.

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.

Contact information

If you have any questions or feedback on this Report, please feel free to contact us by:
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RESPONSIBILITY MANAGEMENT

Responsibility Philosophy

As a leading provider of private higher education in Jiangxi province, China, our Group is committed to provide students with quality education and professional training. Our Group always adheres to the mission to cultivate innovative talents with practical skills and knowledge, and to provide talent support for the development of urbanization in China (為新型城鎮化建設與管理培養高層次、高技能、創新型和應用型人才). Meanwhile, to efficiently advance its environmental, social and governance works, the Group continuously improves its enterprise management framework, fully implements sustainable development initiatives and widely disseminates the concept of sustainable development.

Responsibility Structure

Establishing a complete environmental, social and governance ("**ESG**") management framework is an important step for the Group to implement ESG management practice, by which it can put the objectives of sustainable development into daily practice. The ESG management framework of the Group consists of decision-making layer, executive layer and implementation layer. The decision-making layer represents members of the board of directors and is responsible for major decisions on ESG-related matters; the executive layer represents the ESG 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.

Stakeholder Communication

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 channels. The stakeholders of the Group mainly include: investors/shareholders, teachers/employees, students/parents, government and regulatory institutes, suppliers/partners and community public, etc.

Table of The Group Stakeholder Communication Methods

Stakeholders	Focus areas and demands	Communication methods
Investors/shareholders	Stable investment returns Compliance operation and management Sustainable development and risk control	General meeting Announcement, news release and periodic report Investor relations roadshow
Teachers/employees	Strengthen teachers' professional skills Improve employee benefits Safeguard 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	Theme class meeting or lecture Student satisfaction survey We Chat/Email direct communication channel arranged by management
Government and regulatory institutes	Observe state laws and regulations Legal and compliance operation and management Legitimately tax	Irregular inspection Government communication Periodic report
Suppliers/partners	Fair competition and dealing Dealing with integrity Mutual benefit and long-term cooperation Product quality assurance	Supplier site visit Supplier review Supplier exchange meeting
Community public	Community fusion Public welfare projects Community return	Community activity Public welfare activities Thanksgiving season activities Telephone hotline

Materiality Issue Management

In order to understand the ESG issues which the stakeholders concerned in a more professional and objective perspective, we have conducted the identification and significance evaluation on the Group's ESG issues during the preparation period of this Report. We selected 27 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 in 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 the stakeholders' attention level to the abovementioned issues, we conducted a comprehensive materiality assessment survey. After comprehensive consideration of the self-operation and demands from stakeholders, we sorted each issue in two dimensions, namely "Importance to corporation" and "Importance to stakeholders", to form the ESG materiality matrix and lists. The final report on stakeholders' participation process and evaluation of issue importance has been submitted to the management for review, and has obtained recognition and approval.

Table of The Group's ESG Important Issues List

Highly important issues	1	Teaching Quality
	2	Strengthen teachers' professional skills
	3	Enrich teaching sources
	4	Professional skill training adapts to market demand
Moderately important issues	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 construction
	11	Teaching courses, models and tools
	12	Innovative teaching model
	13	Whereabouts of graduates
	14	Protect privacy of students and parents
	15	Handle complaints from students and parents
	16	Employee training and education
	17	Green campus and green office
	18	Compliance operations and anti-corruption
	19	Pay attention to environmental treatment of sewage and waste
	20	Student campus life and social practice
	21	Educational universality
	22	Improve supplier management system
	23	Cultural protection and promotion
	24	Improve energy efficiency
	25	Popularize environmental concepts
Low important issues	26	Control greenhouse gas emissions
	27	Reduce water consumption

GOVERNANCE RESPONSIBILITY

Compliance Operation

The Group has a sophisticated centralized management model, which integrates expert management with self- management. To strengthen its regulated operational governance, the Group constructs a sound organizational structure, clarifies the positions and responsibilities of functional departments and coordinates the sharing of management and resources among different departments and the Schools. The senior management closely monitors the compliance with laws and regulations related to business operation of the Company and the Schools and supervises the implementation of any necessary measures, ensuring that the Group strictly adheres to ethics and integrity and operates under related law and regulation on a sustainable development basis.

Anti-corruption

Faculty and teachers of 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-laundering Law of the PRC* (《中華人民共和國反洗錢法》), *the Anti-unfair Competition Law of the PRC* (《中華人民共和國反不正當競爭法》) and other relevant laws and regulations as well as industry norms and standards, and also formulate the Employee Handbook (《員工手冊》) to resist corrupt conducts, such as bribery, extortion, fraud and money laundering, set up integrity bottom line on all fronts and create an earnest working environment in the Company, thus safeguarding the healthy development of the Group.

The Group requires all faculty and employees to strictly stick to the integrity bottom line, and receive training and warning on related laws and regulation. We have organized teaching morality training for school teachers aiming at continuously improving the teachers' legal awareness and the awareness of legal teaching.

Meanwhile, the Group are subject to public supervision of suppliers and opposed to commercial bribery. Our agreement with suppliers clearly stipulates the working discipline for purchasing personnel, and proposes that relevant purchasing personnel should not attend the feast held by suppliers, accept gifts, money and other bribes, or they would be dismissed immediately and subject to fines depending on the severity. In 2020, the Group did not have any corrupt conduct, such as bribery, extortion, fraud and money laundering that results in any significant lawsuit.

Intellectual Property Protection

The Group strictly abides by *the Intellectual Property Law 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. In 2020, the Group further strengthened the brand maintenance and construction, strictly regulated 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. Meanwhile, the Group uses authorized textbooks and relevant reference books during the procurement process to fully respect others' intellectual property rights and try our best to protect the legal rights and interests of others from infringement.

Privacy Protection for Students and Parents

The Group strictly complies with *the Consumer Protection Act of the PRC* (《中華人民共和國消費者權益保護法》) and formulates *the School Roll and Academic Credentials Administrative Measures* (《學籍學歷管理辦法》), stipulating that it is not allowed to provide relevant data on school roll without the consent of the person in charge of the academic affairs, except necessary work requirements of relevant posts. In 2020, the Group did not have any complaint or significant case on the leakage of personal data of students and parents.

EDUCATIONAL RESPONSIBILITY

Quality Education

New Educational Philosophy

Upholding the banner of "cultivating innovative talents with practical skills and knowledge, and to provide talent support for the development of urbanization in China (為新型城鎮化建設與管理培養高層次、高技能、創新型和應用型人才)", the Group takes "realizing the growth and success of students" as its essential function and original aspiration. The Group strives to provide comprehensive education solutions to students who are about to step into the society through various channels such as teaching quality enhancement, teaching model innovation, education resources diversification, and future- oriented education model development.

Education Quality Improvement

The Group takes teaching work as its central work. The Group has established a teaching management committee comprised of education experts to attain high quality education by improving teachers' ability, strengthening specialty construction, and innovating cultivation model. For teachers, the Group holds various activities and competitions to improve their teaching skills, experiment teaching skills and professional skills for the sake of cultivating talents proficient.

At the same time, the Group takes teaching supervision and assessment as an important link of closed-loop management for teaching quality improvement. In order to regulating teaching management, supervising and feedback, the Group formulated a services of inter policies, and established a company-wide school supervision team in 2018 to evaluate teaching level, quality and methods. The supervision team participates in the teaching procedure quality inspection, evaluates teaching practice timely and comprehensively, monitors education quality and proposes reasonable suggestion for improvement.

Enrich Educational Resources

Cooperation among schools and enterprises has become a major trend in the education industry development. The Group fully integrates its own educational resources with related industry resources and have established stable and extensive cooperative relations with may enterprises. Our Group takes such cooperative relation as an important action for our Group to deepen the cross-border cooperation between our Schools and other enterprises, expand students' practical resources, broaden students' employment channels, and strengthen students' innovative practice capabilities.

Students' Potential Stimulation

The Group aims to build a complete quality and disciplinary systems to stimulate the student personality development, and to cultivate awareness of innovation and team spirit. In 2020, the Group continued to hold technology competitions and skill competitions, initiating patent application activities with voluntary participation and teacher guidance, undergraduate innovation and entrepreneurship projects, and other activities. In 2020, under the leadership of instructors, students from our Schools actively participated in various competitions on national, provincial and municipal levels.

Students' Satisfaction

The level of satisfaction of teachers and students in school management is an important criterion for assessing the school management and service level. The Group establishes a comprehensive and effective mechanism for issue handling, and opens up channels for students and parents to express opinions. Students and parents can report issues through Weibo, WeChat, BBS of the school and direct contact with the Director. The Group classifies and distributes the issues to relevant institutions for handling, identifies responsible leaders and sets a deadline for rectification. In the meantime, the Group tracks the whole process, makes coordination between companies and departments, and reviews the actual handling of issues, so as to allow the real feedback from students and parents to be learned about quickly and conveniently, thus guiding the improvement direction for the Group. In 2020, there were no major complaints throughout the year of the Group.

Administrative Logistics Support

The Group considers students and teachers' health and safety as a top priority. To create a safe, healthy, civilized and harmonious school atmosphere, the Group formulates a variety of logistics management measures, which stipulates strict management systems and rules on fields including facility safety, fire safety, food hygiene, vehicle safety and medical health. The Group strengthens emergency prevention and intervention in higher education institutions to reduce various types of security incidents risks.

Food Safety Guarantee

As at 31 December 2020, We have four student canteens and one faculty canteen at our campus. We possess the necessary operating licenses for offering meal catering services through canteens on our campus.

According to national laws and regulations including *the Food Safety Law of the PRC* (《中華人民共和國食品安全法》), *the Guidelines for Canteen Safety of Higher Education Institutions* (《普通高等學院食堂安全工作指南》) issued by Ministry of Education and *the Regulation on Hygiene Administration of School Canteens and Collective Dining of Students* (《學院食堂及學生集體用餐衛生管理規定》), and regulatory requirements of local government departments, the Group formulates strict food safety system, requiring all institutions to put the printed documents of *the Guidelines and Measures on Food Safety Management* (《食品安全管理準則與辦法》) on the wall and show canteen licenses, raw materials and their source as well as other information to the public for supervision. The Group supervises the canteens during the whole process to ensure food safety. Supervision stages includes procurement and storage of raw materials, staff management, food sample retention and tableware disinfection.

Campus Security Guarantee

The Group attaches great importance to campus security management, and requires each college to establish a security leading group. The Group makes great efforts in fostering a sense of full participation to regulate employees' behavior and to prevent and reduce the occurrence of safety accidents, establishes corresponding safety management systems, formulates standards on fire management and medical health.

In respect of fire safety, according to the national laws and regulations including *the Fire Protection Law of the PRC* (《中華人民共和國消防法》), the Group formulates *the 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》), and arranges the security personnel to check the fire prevention conditions under the third-level inspection requirements every day, to ensure that fire equipment are put in place; The Group makes special inspections on fire safety and equipment safety at key places such as dormitory, teaching building and training building.

In respect of medical treatment and health care, we provide routine medical care services for our students and faculty on our school campus by outsourcing such services to a qualified hospital in Nanchang from April 1, 2019 to June 30, 2022.

In order to strengthen teachers' and students' safety awareness, the Group organizes education and trainings on healthcare and fire safety for teachers and students through propaganda showcase, radio and theme class meeting. The Group also regularly holds health education seminars and workshops to promote health, hygiene and disease prevention. With these efforts, the Group is committed to strengthen students' health awareness and self-care ability. In addition, the Group advocates scientific and healthy living habit through providing demonstration and guidance for teachers and students on site. In addition, the Group constantly pays attention to various adverse factors that jeopardize students' physical and mental health, 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.

Student Employment

Student employment is the "last mile" of school education. The Group formulates a series measures to standardize the employment guidance for students and integrate student employment and student entrepreneurship. On one hand, the Group puts emphasis on enhancing students' professional proficiency and professional quality. On the other hand, with employment service and employment guidance as points of penetration, the Group provides employment consultation and guidance services for students through opening employment guidance optional courses and employment guidance lectures, actively explores employment channels through the cooperation with enterprises and universities, and establishes employment platform to vigorously improve graduate employability.

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》) to safeguard the legitimate interests of staff, restrain any form of discrimination, and strive to create a harmonious, fair and aspiring working environment.

In order to regulate the talent recruitment mechanism for selecting suitable high-quality talents, the Group has formulated measures which sets out the recruitment principles. We examine the documents and information of employees during interviews and directly weed out those whose qualification or certificates are identified fake. Meanwhile, the Group has established attendance management measures to regulate the working hours of faculty and prevent forced labor activities. Administrative measures on remuneration has been put in place to establish a scientific and reasonable remuneration system that conforms to the development of the Company.

As at 31 December 2020, the total number of full-time employees in the group was 1,198, and there was no case prejudicial to the interests of employees.

Unimpeded Development Channels

The Group ensures impartial and equal promotion opportunities for each staff. It has worked out administrative measures on performance incentives and assessment of school operations, regulating staff assessment and incentive mechanism, so as to promote their enthusiasm.

The Group highly values the cultivation of teaching teams and the strengthening of faculty, and keeps abreast of the reform of the professional and technical titles evaluation system of colleges and universities, encouraging teachers to actively apply for various titles.

Enhancement of Teacher's Ability

The Group attaches much importance to the development of teacher's ability. To enhance the overall quality and teaching standard of teachers, the Group has formulated various guidance and measures 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.

In order to improve the quality of teachers, the Group selected teachers to participate in special study and training programs organized by other institutes. In addition, the Group held regular professional analysis and communication activities among its colleges, promoting excellence in teaching through reviews in the purpose of assisting teachers to work out teaching planning, understand teaching proposals and grasp the meaning of teaching by virtue of experts' professional analysis. In addition, the Group organized competitions on experimental and practicing teaching skills for teachers, competitions on professional skills for teachers, so as to improve teaching and sharing experiences during competitions. Teachers were encouraged to lead students in participating in students' technology and skills competitions, thus realizing aspects that can improve in both teaching and learning.

Care for Staff

Attracting and retaining talents, providing adequate care to staff, and creating a good working environment for them, are the foundation and pre-condition for the Group's stable development. The Group provides staff with good welfare benefits, including the payment of pension, medical, maternity and unemployment insurances and housing funds, and maintains supplemental medical insurance. In addition, the Group also provides staff with birthday allowance, consolation money benefiting closed family members, physical check for significant abnormalities and reimbursement. The Group provides housing estates or apartments leased near campus sites to faculty to solve the problem of overlong commuting time, thus enhancing staff's satisfaction.

In order to improve the cohesion and sense of belonging of the teacher team. Our Group has organized various sports and entertainment events irregularly, such as fun sports, mountain-climbing and outings, visit of old revolutionary areas, social gathering and etc., to enrich staff's leisure life.

Harmonious Communities

The Group has always adhered to the fundamental tasks of "Educating people with good morals" to realize the throughout and comprehensive education, focusing on the growth of students, strengthening the education of ideals and beliefs of students, and continuously improving the sense of social responsibility and historical mission of students. During the year ended 31 December 2020, the Group has participated in a variety of voluntary activities including volunteer teaching activities, volunteer blood donation, providing volunteer services for disabled citizens/residents and environment protection volunteer services.

Supply Chain Management

The Group's major suppliers include goods, service, engineering and other enterprises. To ensure student safety and health at each link, the Group has formulated procurement management rules to regulate and improve the procurement operation mechanism for procurement efficiency enhancement and capital utilization effectiveness. In addition, to strengthen the monitoring and management of suppliers, the Group has established supplier database to implement unified management of commodity suppliers and supplier access system.

For engineering suppliers, the Group carefully reviews their qualification and project experience, then specifies the requirements for environmental protection, construction safety and labor protection for projects. The Group supervises the whole process during the construction of projects, and accepts the projects upon completion with feedbacks.

During the Reporting Period, the Group had over 90 suppliers in total.

ENVIRONMENTAL RESPONSIBILITY

Environmental Management

The Group strictly complies with *the Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》), *the Environmental Impact Assessment Law of the PRC* (《中華人民共和國環境影響評價法》), *the Energy Conservation Law of the PRC* (《中華人民共和國節約能源法》) and other national and local environmental regulations, by means of promoting and advocating the concept of environmental protection actively, not only imparting the knowledge of environmental protection in the course of education, but also incorporating the environmental concept and disseminating environmental awareness in teaching activities. By carrying out environmental protection seminars and environmental protection activities, the Group encourages initiatives within the entire organization, to join environmental protection activities, so as to build a green campus and perform its environmental protection responsibilities.

The education service industry where the Group operates is primarily involved with the following environmental impact: energy consumption, water resource consumption, office resource consumption, campus life wastes and three wastes (exhaust gas, wastewater and solid waste) discharge from canteen operation, without any use of packaging materials for products. The domestic sewage generated during daily operation is discharged through municipal sewage pipe networks to urban sewage plants for treatment, which has limited impact on the environment and natural resources, and there is no issue in sourcing suitable water.

Energy Saving

During the operations, the Group encourages the Schools to save energy and to reduce consumption in daily office work and travel for environmental protection purpose. In 2020, the Group set up energy consumption management targets and followed up the monthly energy consumption analysis table for refined management.

The Group has implemented 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. We have changed office vehicles and school buses to electric vehicles, and strictly control the conditions and frequencies of the new energy vehicles. Decorative lights and garden lamps are switched off on the campus, except for special needs. The switch of street lights is adjusted timely according to the weather forecast on the day, utilizing to the maximum extent natural light, and half of the street lights are required to be switched off after 11:00 p.m. Lighting switches in public areas are changed to sound-control switches; and water-saving faucets are installed, etc. On one hand, the Group sets up a strict 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. On the other hand, under the principle of "timely processing to reduce consumption", the Group repair water and electricity facilities once any emission, dripping or leakage of the same identified. Furthermore, the Group actively promoted online repair system at each of its colleges to achieve more timely and efficient maintenance.

In the management of fixed assets, the Group has formulated the management measures for fixed assets, 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 on a unified basis.

Table of Energy and Resource Use

Index	Unit	2020 Data	2019 Data	% change
Electricity consumption	kWh	10,104,165	11,884,998	(15.0)
Office purchased paper	Tonne	3.11	3.42	(9.1)
Total used water	Tonne	approximately 596,000	approximately 680,000	(14.1)

Green Campus

The Group places emphasis on the construction of green campus to ensure a clean and tidy school environment. We classify recycling dustbins are put in place on the campus and keep the ground clean. The Schools intersperse with high trees, shrubs, swards and fresh flowers throughout the year.

The Group has implemented a serious of logistic management measures to strictly standardize the waste management of daily operation, including wastewater, exhaust gas and solid wastes. The colleges have carried out energy-saving transformation of cooking utensils and purging systems in their canteens that oil and water transmitters are installed to reduce and eliminate emissions of greasy dirt. Kitchen food wastes are collected, transported and disposed by qualified external third parties. After unitedly collected and classified, campus garbage is subject to treatments by municipal waste treatment units. Hazardous wastes such as the abandoned lighting tubes and batteries are separately collected and dealt with by qualified third parties. In addition, a small amount of medical wastes are generated in college dispensaries, which are to be disposed by qualified third parties after volume record by doctors.

Table of Environmental Management

Index	Unit	2020 Data	2019 Data	% change
Hazardous waste				
Abandoned lighting tubes	Piece	463	560	(17.3)
Used printer toner cartridges	Piece	31	48	(35.4)
Used batteries	Piece	958	1,245	(23.1)
Used toner boxes	Piece	98	113	(13.3)
Toner boxes recovered	Piece	93	113	(17.7)
Medical wastes	Tonne	0.94	0.51	84.3
Non-hazardous waste				
Total non-hazardous waste	Tonne	1,981	2,125	(6.8)
Kitchen garbage	Tonne	277	300	(7.7)
Domestic garbage	Tonne	1,693	1,825	(7.2)

APPENDIX ESG INDEX

ESG KPI	Guideline Requirements	Report section/statement
A1: Emissions	General Disclosure	Environmental Responsibility
	A1.1 The types of emissions and respective emissions data.	Not disclosed as the emissions are of little significance for the Group's operation.
	A1.2 Greenhouse gas emissions in total and, where appropriate, intensity.	Not disclosed as the greenhouse gas emissions are of little significance for the Group's operation.
	A1.3 Total hazardous waste produced and, where appropriate, intensity.	Environmental Responsibility — Green Campus Since hazardous waste is not counted by weight, intensity calculation is not applicable.
	A1.4 Total non-hazardous waste produced and, where appropriate, intensity.	Environmental Responsibility — Green Campus
	A1.5 Description of measures to mitigate emissions and results achieved.	Not disclosed as the emissions are of little significance for the Group's operation.
	A1.6 Description of how hazardous and non- hazardous wastes are handled, reduction initiatives and results achieved.	Environmental Responsibility — Green Campus Environmental Responsibility — Green Campus

ESG KPI	Guideline Requirements	Report section/statement
A2: Use of Resources	General Disclosure	Environmental Responsibility — Energy Saving
	A2.1 Direct and/or indirect energy consumption by type in total and, where appropriate, intensity	Environmental Responsibility — Energy Saving
	A2.2 Water consumption in total and, where appropriate, intensity.	Environmental Responsibility — Energy Saving
	A2.3 Description of energy use efficiency initiatives and results achieved.	Environmental Responsibility — Energy Saving Environmental Responsibility — Energy Saving
	A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environmental Responsibility — Energy Saving No issue in sourcing water. Environmental Responsibility — Energy Saving
	A2.5 Total packaging material used for finished products and with reference to per unit produced.	Not applicable. The Group does not use any product packaging materials during operation.
A3: The Environment and Natural Resources	General Disclosure	Not disclosed as the impact on the environment and natural resources are of little significance for the Group's operation.
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Not disclosed as the impact on the environment and natural resources are of little significance for the Group's operation.

ESG REPORT

ESG KPI	Guideline Requirements	Report section/statement
B1: Employment	General Disclosure	Social Responsibility — Staff Development
	B1.1 Total workforce by gender, employment type, age group and geographical region.	Social Responsibility — Staff Development
	B1.2 Employee turnover rate by gender, age group and geographical region.	Not disclosed
B2: Health and Safety	General Disclosure	Educational Responsibility — Administrative Logistics Support
	B2.1 Number and rate of work-related fatalities.	No work-related fatalities in 2020
	B2.2 Lost days due to work injury.	No lost days due to work injury in 2020
	B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Educational Responsibility — Administrative Logistics Support
B3: Development and Training	General Disclosure	Social Responsibility — Staff Development
	B3.1 The percentage of employees trained by gender and employee category.	Not disclosed
	B3.2 The average training hours completed per employee by gender and employee category.	Not disclosed
B4: Labour Standards	General Disclosure	Social Responsibility — Staff Development
	B4.1 Description of measures to review employment practices to avoid child and forced labour.	Social Responsibility — Staff Development
	B4.2 Description of steps taken to eliminate such practices when discovered.	Social Responsibility — Staff Development

ESG KPI		Guideline Requirements		Report section/statement
B5:	Supply Chain Management	General Disclosure		Social Responsibility — Supply Chain Management
		B5.1	Number of suppliers by geographical region.	Not disclosed
		B5.2	Description of practices relating to engaging supplies, number of supplies where the practices are being implemented, how they are implemented and monitored.	Social Responsibility — Supply Chain Management
B6:	Product Responsibility	General Disclosure		Governance Responsibility — Compliance Operation Educational Responsibility — Quality Education
		B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable. The Group does not involve recalls for safety and health reasons during operation.
		B6.2	Number of products and service related complaints received and how they are dealt with.	Educational Responsibility — Students' Satisfaction
		B6.3	Description of practices relating to observing and protecting intellectual property rights.	Governance Responsibility — Intellectual Property Protection
		B6.4	Description of quality assurance process and recall procedures.	Not applicable. The Group does not involve product quality inspection and recall during operation.
		B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Governance Responsibility — Privacy Protection for Students and Parents

ESG KPI	Guideline Requirements	Report section/statement
B7: Anti-corruption	General Disclosure	Governance Responsibility — Anti-corruption
	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Governance Responsibility — Anti-corruption
	B7.2 Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Governance Responsibility — Anti-corruption
B8: Community Investment	General Disclosure	Social Responsibility — Harmonious Communities
	B8.1 Focus areas of contribution.	Social Responsibility — Harmonious Communities
	B8.2 Resources contributed of the focus area.	Social Responsibility — Harmonious Communities