



SHANGHAI GENCH
EDUCATION GROUP LIMITED

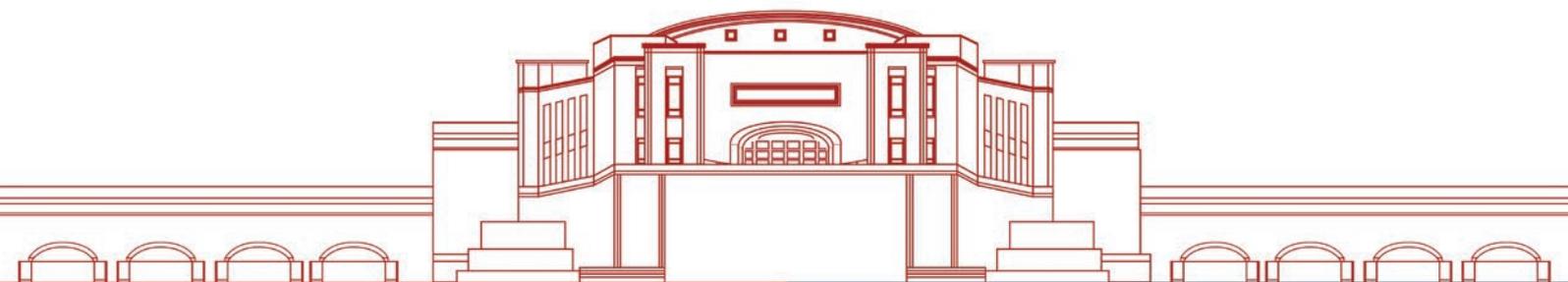
上海建橋教育集團有限公司

2020

ANNUAL REPORT

Stock code: 1525

(Incorporated in the Cayman Islands with limited liability)





CONTENTS

Corporate Information	2
Milestones	3
Financial Highlights	4
Chairman's Statement	5
Management Discussion & Analysis	8
Directors and Senior Management	25
Report of the Directors	39
Corporate Governance Report	62
Environmental, Social and Governance Report	73
Independent Auditor's Report	125
Consolidated Statement of Profit or Loss	130
Consolidated Statement of Comprehensive Income	131
Consolidated Statement of Financial Position	132
Consolidated Statement of Changes in Equity	134
Consolidated Statement of Cash Flows	135
Notes to Financial Statements	137
Definition	196

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Xingzeng (周星增)
Mr. Zheng Xiangzhan (鄭祥展)
Mr. Shi Yinjie (施銀節)

Non-executive Directors

Mr. Zhao Donghui (趙東輝)
Mr. Du Jusheng (杜舉勝) (with effect from 24 July 2020)

Independent Non-executive Directors

Mr. Chen Baizhu (陳百助)
Mr. Hu Rongen (胡戎恩)
Ms. Liu Tao (劉濤)

AUDIT COMMITTEE

Ms. Liu Tao (劉濤) (Chairman)
Mr. Hu Rongen (胡戎恩)
Mr. Chen Baizhu (陳百助)

REMUNERATION COMMITTEE

Mr. Hu Rongen (胡戎恩) (Chairman)
Mr. Zheng Xiangzhan (鄭祥展)
Ms. Liu Tao (劉濤)

NOMINATION COMMITTEE

Mr. Zhou Xingzeng (周星增) (Chairman)
Mr. Hu Rongen (胡戎恩)
Mr. Chen Baizhu (陳百助)

JOINT COMPANY SECRETARIES

Mr. Zhou Qiaoqi (周喬琪)
Mr. Wong Yu Kit (黃儒傑)

AUTHORISED REPRESENTATIVES

Mr. Zheng Xiangzhan (鄭祥展)
Mr. Wong Yu Kit (黃儒傑)

COMPLIANCE ADVISOR

TC Capital International Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111, Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 1111, Huchenghuan Road
Pudong New Area, Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

LEGAL ADVISOR AS TO HONG KONG LAW

Morgan, Lewis & Bockius

AUDITORS

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, P. O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKS

Agricultural Bank of China (Shanghai Pudong Branch)
Huaxia Bank (Lingang Branch)
Pingan Bank (Shanghai Daning Branch)
China Construction Bank (Jinqiao Branch)
China Minsheng Bank (Luwan Branch)

COMPANY WEBSITE

<http://www.genchedugroup.com>

STOCK CODE

1525

MILESTONES

Year	Events
2000	<ul style="list-style-type: none">The predecessor of our University, namely, Private Shanghai Jian Qiao Vocational College* (民辦上海建橋職業技術學院), and Jian Qiao Group were established.
2005	<ul style="list-style-type: none">Shanghai Jian Qiao Vocational College* (上海建橋職業技術學院) transformed into our University, a higher education institute which is entitled to provide undergraduate education in addition to higher vocational education, and changed its name to Shanghai Jian Qiao University (上海建橋學院).
2015	<ul style="list-style-type: none">Our University moved from its previous campus in Kangqiao County to a new campus in Lingang New City area in Pudong New Area, Shanghai.
2020	<ul style="list-style-type: none">Our Group was listed on the Main Board of the Stock Exchange on 16 January 2020 with stock code: 1525.
2020	<ul style="list-style-type: none">In order to increase the school capacity in relation to student dormitories and teaching facilities that can meet the needs of our Group's expansion in the years to come, our University decided to commence phase three of our campus construction plan. The construction works of the campus facilities being constructed as part of the phase three of our campus construction plan commenced in September 2020.
2020	<ul style="list-style-type: none">Jian Qiao University Company was established in September 2020 as a step of the internal restructuring of our Group to convert the PRC operating school of our Group into a for-profit private school to comply with the 2016 Decision and related implementing rules.



(Phase three of campus construction)

FINANCIAL HIGHLIGHTS

FIVE-YEAR FINANCIAL SUMMARY

Results of operation	For the year ended 31 December				
	2016	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	291,650	356,967	424,587	501,442	554,895
Gross profit	124,903	163,361	222,215	279,913	335,410
Profit before tax	14,174	47,508	110,173	126,285	198,006
Profit for the year	12,885	46,043	108,575	125,420	193,056
Adjusted net profit ⁽¹⁾	12,885	46,043	116,670	150,814	202,554

Assets and liabilities	As at 31 December				
	2016	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	756,999	835,809	470,323	348,858	722,131
Current liabilities	1,436,719	1,326,599	720,346	943,147	882,937
Net current liabilities	679,720	490,790	250,023	594,289	160,806
Total non-current assets	2,349,760	2,289,581	2,324,304	2,490,866	2,662,151
Total equity	645,474	691,517	889,892	1,014,975	1,762,387

Financial ratio	As at/for the year ended 31 December				
	2016	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross profit margin	42.8%	45.8%	52.3%	55.8%	60.4%
Net profit margin	4.4%	12.9%	25.6%	25.0%	34.8%
Return on assets	0.4%	1.5%	3.9%	4.4%	5.7%
Return on equity	2.0%	6.7%	12.2%	12.4%	11.0%
Current ratio	0.5	0.6	0.7	0.4	0.8
Interest coverage ratio	1.3	1.9	2.9	3.6	4.6
Net debt to equity ratio	1.4	1.9	0.8	0.8	0.2
Gearing ratio ⁽²⁾	1.8	2.0	1.3	1.1	0.6
Total debt to assets ratio	0.4	0.4	0.4	0.4	0.3

Notes:

- (1) The adjusted net profit, which is unaudited in nature, is presented because our management believes such non-IFRS measure provides useful information to investors in understanding and evaluating our results of operations in the same manner as it helps our management and in comparing financial results across accounting periods and to those of our peer companies. For the details of reconciliation to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit and total comprehensive income for the year, please refer to the paragraph headed "Financial Review" under the section headed "Management discussion and analysis" in this annual report.
- (2) Gearing ratio equals total debt as at the end of the year divided by total equity as at the end of the year. Total debt includes all interest-bearing bank borrowings.

CHAIRMAN'S STATEMENT

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

On behalf of the Board, I am pleased to present the annual results of our Group for the year ended 31 December 2020 to the Shareholders.

The year 2020 was a milestone for our Group. Through our unremitting and ongoing efforts for the past thousands of days and nights, encountering the 20th anniversary of our University, our Company was successfully listed on the Main Board of the Stock Exchange on 16 January 2020, which made its shares the first newly listed higher education shares in the Hong Kong stock market in 2020, and made a vital foundation for our Group's development. In the blink of an eye, our Group has entered the international capital market for one year, during which our Group developed itself comprehensively and enhanced its position in the industry stably. Our University was successively awarded various honors, including the Shanghai High Skilled Talents Training (Practical) Base (上海市高技能人才培養(實訓)基地), the Shanghai Model School for Governing in Compliance with Laws (上海市依法治校示範學校), 2020 National Factory Affairs Advanced Unit for Open Democratic Management (2020全國廠務公開民主管理先進單位), National Model Unit of Civilization (全國文明單位) and Shanghai Garden Unit in the Years of 2018 to 2020 (2018-2020年度上海市花園單位), representing the recognitions and affirmation from all sectors in the society towards our University for our comprehensive strengths, such as our educational fruits and management capacity. Meanwhile, the school size of our University was also stably expanded.

As of 31 December 2020, there were 21,338 students in total enrolled in our University, representing an increase of 7.5% on year-on-year basis. The average tuition fee of our University for the year ended 31 December 2020 was RMB23,122, representing an increase of 6.9% on year-on-year basis. Our revenue for the year ended 31 December 2020 increased by approximately RMB53.5 million with an year-on-year increase of 10.7%; our gross profit for the year ended 31 December 2020 increased by approximately RMB55.5 million with an year-on-year increase of 19.8%; and our net profit for the year ended 31 December 2020 increased by approximately RMB67.6 million with an year-on-year increase of 53.9%. To return the support and trust of the Shareholders, the Board recommended the payment of the final dividend for the year ended 31 December 2020 of HK\$0.08 per Share. Together with the interim dividend of HK\$0.10 per Share, the total dividend for 2020 was HK\$0.18 per Share, representing the dividend payout ratio of 33.6% for the whole year.

Our Group continues to improve the system of teaching programs. In the 2020/2021 school year, our works on minor bachelor's degrees are in the stable progress. Our students can obtain minor bachelor's degrees if they complete the necessary credits and meet the requirements of the bachelor degree program. In addition, we also established the college of health management, the college of international education, and the college of education, as well as two additional undergraduate majors, namely health services and management, and art and technology, in June, September and November 2020, respectively, during the Reporting Period. And there are two new majors at undergraduate level which have been approved in February 2021, namely (i) fashion and communication (時尚傳播), and (ii) elder-caring service management (養老服務管理), and will be available for enrollment in the 2021/2022 school year. It is worth to mention that the establishment of these two new majors were set based on the advance prediction of our University for the future demand of inter-disciplinary talents in Shanghai and the overall aging trend. We believe that our University should maintain the sensitivity of and foresight to the development trend in the market, so as to better establish more majors with promising employment for our students.

CHAIRMAN'S STATEMENT



Our Group deeply explores the industry-teaching integration. During the Reporting Period, our University further push forward the deeper cooperation with local enterprises and industrial parks. The types of industries cover various aspects including manufacturing, import and outport, and commercial retail. In May 2020, we jointly established Shanghai Smart Production System Innovation Center (上海智慧製造系統創新中心) as the industry-teaching integration and demonstration base with Shanghai Institute of Process Automation & Instrumentation Co., Ltd. (上海工業自動化儀錶研究院有限公司) and Shanghai Lingang Economic Development (Group) Co., Ltd. (上海臨港經濟發展(集團)有限公司), which introduced the flexible smart manufacturing lab and resolutions for digitalized smart manufacturing system to engineering training center in our University. The base currently gathers cutting-edge equipment in the front of the industry, the total price of which amounted to over RMB40 million. Upon the establishment of the cooperation platform, our University can conduct relevant education training businesses to the public, or jointly develop training programs and vocational techniques certification with joint enterprises, which is a vital step for our Group in education system construction for the industry-teaching integration.

Our Group's development was repeatedly awarded. To our great pleasure, our Group focused on its business development and fully tapped the industry demand, while all sectors in the society also thought highly of us. The works of our Group and management were recognized for many times. At the first meeting of the third session of Member Representatives Meeting of The China Association for Non-Government Education (中國民辦教育協會第三屆會員代表大會第一次會議) and the eleventh session of China Private Education Development Meeting (第十一屆中國民辦教育發展大會) convened in November 2020, Mr. Zhou Xingzeng, the representative of Shanghai People's Congress and the president of Gench Education, was elected as vice president of The China Association for Non-Government Education (中國民辦教育協會), which was also his third time of successively re-elected office for this vice president position, and also the only one vice president among Shanghai private colleges and universities. In December of the same year, Mr. Wang Bangyong, the deputy chief executive officer of our Group, was conferred the title of Shanghai Labour Model (上海市勞動模範榮譽稱號). We also received various honors in term of capital market. In the grand award ceremony of fifth session of Listed Company Awards of Excellence (第五屆金港股) which was just concluded, our Company was awarded the Most Valuable Medium-and-Small-Cap Stock Award (最佳中小市值公司獎) and Mr. Hu Zhipeng (胡志鵬), the head of investor relations of our Company, was awarded the Best IR Award (Individual) (最佳IR獎(個人)). It is of great significance for us to receive these two awards. As one of the most professional judges for the listed companies in Hong Kong and US stock market and being the investment vane reflecting the annual best investment value and growth potentials, these two awards presented the recognition for our Group's business performance from the industry and capital, and also procured us to continue the performance of investor relation and corporate governance, which helped build better corporate image.

The past is just the prologue while the future can be forward looking. Looking forward, our Group will stick to the belief of quality education, integration of internal increase and external mergers and acquisitions, as well as academic education and vocational education, seize the historic opportunities in the integrated development of Yangtze River Delta region and the establishment of Lingang New Area in the China (Shanghai) Pilot Free Trade Zone and achieve new breakthroughs in the process of building a leading private university in China. In particular, the development strategies of our Group are:

Our University will continue to adhere to the quality policy of "People-oriented, Moral Education Prioritised, Law-Abiding, Strict Management", closely integrate with the regional economic and social development, optimize its business performance, cooperate with local enterprises, and fully tap various resources from all parties. It also deepens the integration of "Industries, Education and Cities" so as to provide high skilled talents for regional quality development, which helps attract more students and oversea students to study at our University. Our University will continue to review tuition fee rate and optimize the pricing and increase student enrollment to enhance profitability, aiming to build our University into a first-class private university with international influence in China.

CHAIRMAN'S STATEMENT

Our Group will also strengthen its competitive advantages and continue to expand diversified curriculums. Taking the Shanghai High Skilled Talents Training Base (上海市高技能人才培養基地) as the opportunity, we will vigorously explore vocational education and provide comprehensive education that are focused on applied sciences.

Meanwhile, our Group will proactively seek suitable opportunities to acquire or invest in additional schools. We will increase market shares through the expansion of business networks, and prioritize the suitable target schools in eastern China, particularly in the Yangtze River Delta. Besides, we will stick to the principle of "Quality prior to quantity" for the projects and the belief of quality education in our Group, and build the outstanding private higher education group in China so as to create stable returns for the Shareholders.



Mr. Zhou Xingzeng
Chairman and Executive Director

24 March 2021

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OVERVIEW

We operate Shanghai Jian Qiao University, which is the largest private university in Shanghai and a leading private university in the entire Yangtze River Delta, as measured by the total number of full-time students enrolled in 2020/2021 school year.

According to CUAANet (中國校友會網), our University re-ranked first among all private universities in Shanghai in 2020 and first among private universities at all tier one cities (including Beijing, Shanghai, Guangzhou and Shenzhen) for three consecutive years 2018–2020. In November 2020, our University maintained the honor as a National Model Unit of Civilization (全國文明單位) upon review by the Central Commission on Building Cultural and Ethical Civilization (中央精神文明建設指導委員會). Our University was selected as the Shanghai Model School for Governing in Compliance with Laws (上海市依法治校示範校) by the Shanghai Municipal Education Commission (上海市教委) in March 2020, the 2020 National Factory Affairs Advanced Unit for Open Democratic Management (2020年全國廠務公開民主管理先進單位) by the National Factory Affairs Open Coordination Group (全國廠務公開協調小組) in December 2020, and the Shanghai Garden Unit in the Years of 2018 to 2020 (2018–2020年度上海市花園單位) by the Shanghai Greening Committee (上海市綠化委員會) in January 2021.

Recognition as a High-Tech Enterprise

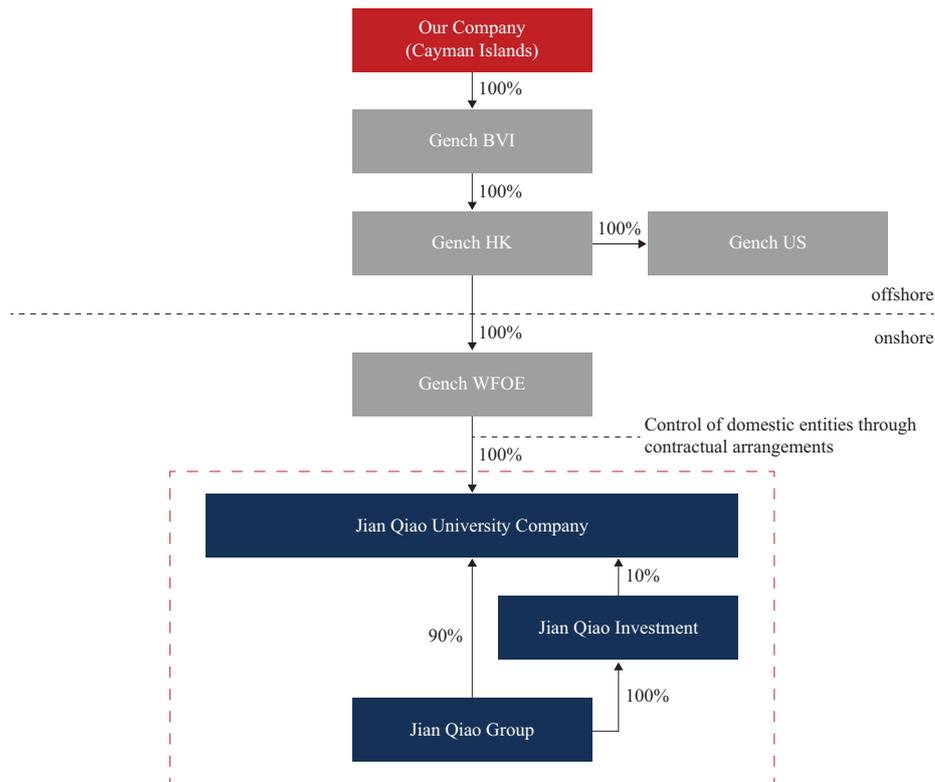
In December 2020, jointly approved by Shanghai Municipal Science and Technology Commission, Shanghai Municipal Finance Bureau and State Administration of Taxation Shanghai Taxation Bureau, Gench WFOE, a subsidiary of our Company, was recognised as the one of the fourth batch of High-Tech Enterprises in Shanghai.

With the substantial support and encouragement from the PRC government, Gench WFOE is entitled to enjoy a preferential taxation policy and shall be subject to the enterprise income tax rate of 15% within three years from 2021 (including 2021). Compared to the enterprise income tax rate of 25% at a national standard, the tax preference and the industry support policy enjoyed by Gench WFOE will have a positive effect on the operation of our Group.

MANAGEMENT DISCUSSION & ANALYSIS

Conversion into a for-profit private school

As disclosed in our Company's announcement dated 20 January 2021, our Group is conducting an internal restructuring to convert the PRC operating school of our Group into a for-profit private school to comply with the 2016 Decision and related implementing rules. Our Group is carrying out the relevant procedures to complete the registration of Jian Qiao University Company, a newly established company in the PRC, as a for-profit private school, including but not limited to transferring all the assets and liabilities of our University to Jian Qiao University Company, applying for formal school operating permit for Jian Qiao University Company and de-registering our University. The whole process is required to be completed by the end of 2021. Upon the completion of converting the PRC operating school of our Group into a for-profit private school, our corporate structure is as follows:



MANAGEMENT DISCUSSION & ANALYSIS

Our University

Our University provides high-quality education to our students with a focus on applied sciences. Our comprehensive curriculums, which encompass a broad range of practical major offerings, are designed to equip our students with practical skills and enable them to meet the demands of the rapidly evolving job market. We develop our courses and majors based on extensive market research we conducted to determine demand in the job market. As at 31 December 2020, our University offered 64 majors and concentrations in its formal undergraduate program in a wide range of areas, among which, advertising and network engineering were approved as provincial-level first-class undergraduate major construction sites for 2019 while electronic commerce, gemology and jewelry materials study, microelectronics science and engineering and software engineering were approved as provincial-level first-class undergraduate major construction sites for 2020. In addition, we had an additional 13 majors and concentrations in our junior college program. We collaborate closely with enterprise partners and have established school-industry collaboration programs, including two MOE industrial and education integrated innovation bases in China, to help our students acquire readily applicable skills and find desirable employment.

As at 31 October 2020, the employment rate of 2020 graduates reached 97.6%, and employers' overall satisfaction with the work performance of our school's graduates reached 99.5%, of which 62.6% of the graduates stayed in Shanghai for employment. The rate of our students studying abroad for the year ended 31 December 2020 reached 6.4%, with 52 students entering the top 100 universities in QS World University Rankings and 95 students entering the top 200 universities in QS World University Rankings.

COVID-19 Pandemic and Effects on Our Business

Background

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus, COVID-19, a global pandemic. The COVID-19 pandemic is dynamic and expanding, and its ultimate scope, duration and effects remain inherently uncertain. Governments worldwide have implemented travel bans, stay-at-home orders, quarantines, lock-down mandates, and other social distancing measures to mitigate the spread of COVID-19. The outbreak of the COVID-19 pandemic has negatively impacted the global economy, and created significant volatility and disruption of financial markets.

(a) Impact of the COVID-19 Pandemic on Our Operations

Based on official sources, the outbreak of the COVID-19 pandemic beginning in December 2019 reached its peak in February 2020 in China, which limited the capacity of our Group performing education services, and our University was closed during the first half year in 2020.

In addition, the COVID-19 pandemic has reduced transportation services and disrupted the construction and logistics network in China, which have adversely affected our suppliers' abilities of the phase three of our campus construction plan and impacted the feasible opportunities of potential acquisitions of our Group.

As the COVID-19 pandemic began to subside from the beginning of March 2020 in China, we have mobilized internal resources and leveraged our teaching operation capabilities aiming to accelerate the temporarily delayed courses and to reduce the impact to our education services.

As of 1 September 2020, most cities in the PRC had eased or lifted domestic travel restrictions and resumed work and production, and we had resumed normal operations of our University according to the local government's guidelines.

MANAGEMENT DISCUSSION & ANALYSIS

(b) Mitigation Measures

During the Reporting Period, we have adopted various mitigation measures to minimize the adverse impacts of the COVID-19 pandemic on our business operations, customer relationships, and procurement of supplies. These measures include:

- 1) Our Group has actively introduced online teaching since March 2020 during the Reporting Period in adherence to the nation's policy of "classes suspended but learning continues". As about 90% of the online teaching courses has been delivered for our enrolled students, a practice which has been highly rated to be liked by students and parents. According to our internal statistics, as at 30 June 2020, our online teaching program attained an average rating of 91.3 out of 100 among students and parents.
- 2) Our Group has developed a proprietary real-time monitoring system to ensure the health and safety of our teachers and students as well as the smooth progress of various works and affairs.
- 3) We have made vigorous efforts to procure employment for students. With the full support of enrolment and vocation guidance office, we have endeavoured to broaden the employment pathways for students so that they could secure job offers at an early stage.
- 4) We consider our employee's physical and mental health as our first-priority during the COVID-19 pandemic. Our Group made efforts for our employees' access to vaccines of COVID-19 in 2020. As of January 2021, a total of 318 employees took our Company's employee benefit and vaccinated in Shanghai Pudong Hospital, accounting for 24% of the total number of our employees. For further details, please refer to Part 6.2 in the Environmental, Social and Governance Report in the annual report for the year ended 31 December 2020 to be published in due course.

(c) Financial impact of the COVID-19 pandemic

Considering the temporarily closure of our University, our Group refunded the boarding fees amounting to approximately RMB34.0 million to our students in accordance with the boarding fees refund policy released by the competent authorities due to the COVID-19 pandemic during the year ended 31 December 2020.

Despite the unprecedented challenges presented by the COVID-19 pandemic, the revenue of our Group increased by approximately RMB53.5 million, or 10.7%, from approximately RMB501.4 million for the year ended 31 December 2019 to approximately RMB554.9 million for the year ended 31 December 2020. Also, our Group recorded a profit of approximately RMB193.1 million for the year ended 31 December 2020, representing an increase of approximately 53.9% as compared with approximately RMB125.4 million for the year ended 31 December 2019.

We attribute this to the combination of the mitigation measures as mentioned above, the ongoing efforts of our dedicated staff, and the effectiveness of our comprehensive business continuity plans.

MANAGEMENT DISCUSSION & ANALYSIS

(d) Liquidity Positions and Working Capital Sufficiency

As at 31 December 2020, our Group's cash and cash equivalents was approximately RMB714.6 million, representing an increase of approximately 113.4% year-on-year from approximately RMB334.9 million for the same period of last year; and our Group's net current liabilities was approximately RMB160.8 million, representing an decrease of approximately 72.9% year-on-year from approximately RMB594.3 million for the same period of last year.

We believe that our liquidity requirements will be satisfied with a combination of existing cash and cash equivalents, cash flows generated from our operating activities, bank borrowings, the net proceeds from the initial public offering of our Company and other funds raised from the capital markets from time to time.

Tuition Rates

The following table sets forth the average tuition fee of our University for the periods indicated:

	For the year ended 31 December			
	2020 RMB'000	2019 RMB'000	Change RMB'000	Percentage change (%)
Average tuition fee ⁽¹⁾	23,122	21,634	1,488	6.9

Note:

- (1) The average tuition fees for the years ended 31 December 2019 and 2020 were calculated based on the total revenue generated from the tuition fees of full-time students enrolled (excluding part-time students in our continuing education program) dividing by the total number of full-time students enrolled as at 30 September or 31 October (due to COVID-19, the enrollment of new students for the 2020/2021 school year has been delayed to October 2020) of such year.

The following table sets forth tuition fee information for our full-time programs for the school years indicated:

	Tuition Fee ⁽¹⁾		
	2018/2019 school year	2019/2020 school year	2020/2021 school year
	RMB		
Undergraduate program	23,000–30,000 ⁽²⁾	23,000–30,000 ⁽²⁾	23,000–38,000 ⁽²⁾
Junior college program	15,000–18,000	15,000–18,000	15,000–18,000
Junior college/undergraduate program	23,000–27,000 ⁽³⁾	23,000–27,000 ⁽³⁾	23,000–30,000 ⁽⁴⁾

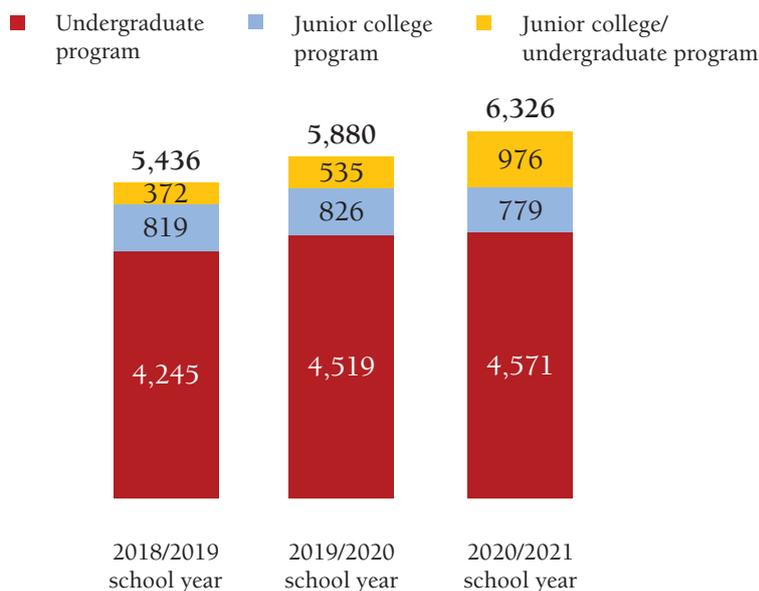
Notes:

- (1) Tuition fees shown above are applicable to full-time students enrolled in the relevant school years only, excluding tuition fees charged for part-time students enrolled in our continuing education program.
- (2) The tuition fee range of the undergraduate program includes (i) the undergraduate program; and (ii) the undergraduate program under the international program. It excludes tuition fee rate of RMB80,000 per school year for the international design college, the tuition fee rate of RMB58,000 per school year for the bilingual-lectured digital media technology program, and the tuition fee rate of RMB45,000 per school year for the international program with Vaughn College of Aeronautics and Technology.
- (3) In the 2018/2019 and 2019/2020 school years, the tuition fee rate for product design (jewelry design) major was RMB27,000 per school year. All other majors under our junior college/undergraduate program had a tuition fee rate of RMB23,000 per school year.
- (4) In the 2020/2021 school year, the tuition fee rate for our majors of business administration (luxury management), product design (jewelry design) and environment design was RMB30,000 per school year. All other majors under our junior college/undergraduate program had a tuition fee rate of RMB23,000 per school year.

MANAGEMENT DISCUSSION & ANALYSIS

Student Enrollment

Benefiting from the expansion of student enrollment for junior college/undergraduate programs, the number of newly admitted students of our University for the 2020/2021 school year increased to 6,326 students, an addition of 446 students compared to the 2019/2020 school year, including an increase of 441 students in junior college/undergraduate programs. Despite the impact of the COVID-19 pandemic, the freshman registration rate for the 2020/2021 school year reached 93.02%, attributing to the number of students newly admitted breaking through 20,000 and reaching 21,338, including 17,274 undergraduates, 2,548 junior college students, and 1,516 students under junior college/undergraduate programs.



FUTURE OUTLOOK AND BUSINESS STRATEGIES

We believe that our Group's solid status as the largest private higher education group in Shanghai has well-positioned us to benefit from the growing demand of private higher education. Our University's location in Lingang New City area, Pudong New Area has afforded distinct regional advantages. In August 2019, the State Council announced the establishment of Lingang New Area in the China (Shanghai) Pilot Free Trade Zone. As an important component of the "Integration for Yangtze River Delta" action plan, our location in Lingang New City will be conducive to consolidating our Group's competitive edge in Yangtze River Delta.

In the meantime, the PRC government announced in 2020 a number of policies that were favourable to our Group's business development in many respects. It was confirmed at a press conference held on 28 February 2020 under the joint prevention and control mechanism of the State Council of the PRC that there will be an expected increase in the number of admission of postgraduate students and graduates from higher education institutions for junior college/undergraduate programs by 189,000 and 322,000 year-on-year from the number for the last year, respectively. In the Report of the Government of the PRC published on 22 May 2020, it was stated that the student enrollment at higher vocational colleges will increase by 2 million in 2020 and 2021.

MANAGEMENT DISCUSSION & ANALYSIS

In order to further retain talents to contribute to our Group's operations and attract suitable personnel to promote the further development of our Group, we have adopted the following strategies: (1) attracting and retaining talents through local talent preferential policies in Lingang New City. In 2013, Shanghai Lingang District Development Construction Administration Committee* (上海市臨港地區開發建設管理委員會) (“Lingang Administration Committee”) has specifically formulated 30 implementation policies to attract and encourage outstanding talents to come to Lingang New City for employment and entrepreneurship, in order to speed up the gathering of high-end manufacturing industries in the Lingang New City, gather innovative and entrepreneurial talents, and strengthen the integration of industry and city. Eligible talents may apply to purchase price-limited commercial housing in Lingang New Area at a price lower than the market price. In 2016, Lingang Administration Committee introduced a preferential policy for talent apartments to provide qualified talents with short-term rental transitional turnover apartments and rental subsidies. As at 31 December 2020, a total of 174 employees of our Group have enjoyed the preferential policy of price-limited housing in the Lingang New Area, and 65 employees have enjoyed the preferential policy of talent apartments; and (2) adopting the share award scheme. In December 2020, the Board approved the adoption of a share award scheme, and resolved to provide the trustee with a sum of not more than HK\$100 million from time to time to purchase existing Shares at an appropriate time for future award of Shares under the scheme. The Board believes that the current share price of our Company and trading volume seriously underestimate our Company's performance and related assets, which is a good opportunity to purchase Shares for future grants of Shares under the scheme.

In view of the above, as well as our regional advantages and favourable government policies, our Group will continue to focus on providing market-oriented programs for students, recruiting high-calibre talents, improving our campus environment and schooling conditions and enhancing our social influence. In the future, we will drive business development through four strategic approaches as follows, with a view to growing our University into a first-rate private university in China with unique features and international standing.

Enhancing profitability by optimising pricing and increasing student enrollment at our University

The level of tuition fees and boarding fees charged by us represents an important factor affecting our profitability. For the 2020/2021 school year, the tuition fees for eight majors increased by approximately 30%–40%.

Such increment in tuition fees is commensurate with our efforts to upgrade our work for our University through the provision of more comprehensive curriculums and the adoption of international teaching approaches. Going forward, we plan to review our tuition fee rate on an on-going basis and adjust the tuition fee rates as and when appropriate.

In addition, we charge students who are living in the two dormitory buildings under phase two of our campus construction plan RMB5,800 per student per school year, which is approximately 60% higher than our previous boarding fee rate. For the dormitory buildings under phase one of our campus construction plan, we have increased the boarding fees from RMB3,600 to RMB4,800 for new students enrolled in 2020.

We believe that the on-going increase in student enrollment is also important to our success. We intend to continue to increase our investment in new construction projects to build academic, administrative, and boarding facilities that can meet the needs of our expansion in the years to come.

MANAGEMENT DISCUSSION & ANALYSIS

In order to increase the school capacity in relation to student dormitories and teaching facilities that can meet the needs of our Group's expansion in the years to come, our University decided to commence phase three of our campus construction plan. The construction works of the campus facilities constructed as part of the phase three of our campus construction plan has commenced in September 2020. Such campus facilities, with a total gross floor area of approximately 60,950 square meters, mainly comprise (i) a multi-function teaching building with a total gross floor area of approximately 9,413 square meters, (ii) two dormitory buildings with a total gross floor area of approximately 21,742 square meters and 21,715 square meters, respectively, and with an aggregate of 3,984 beds which will increase our school capacity, as well as (iii) an ancillary dormitory building for boarding-related services (such as an office of dormitory management personnel and laundry rooms).

The total capital expenses on phase three of our campus construction plan is currently estimated to be approximately RMB340 million (equivalent to approximately HK\$377.4 million), which shall be incurred by the end of 2022.

Expanding our school network and enhancing our market penetration

We have plans to seek suitable opportunities to acquire or invest in other schools in China or elsewhere, as a means to expand our school network and increase our market share. In China, we intend to prioritize private higher education institutions which school sponsors have elected or intend to elect them to be for-profit schools, in particular universities offering bachelor's degree programs focused on applied sciences. Our target institutions will have a student enrollment of at least 5,000 generating revenue of not less than RMB100 million. In terms of geographic location, we intend to prioritize suitable target schools in east China, particularly in the Yangtze River Delta, which we believe will enhance our profile and create synergies in the region. According to the Frost & Sullivan Report, there were approximately 50 to 80 private higher education institutions in the Yangtze River Delta region meeting the aforementioned standards as at the end of 2018. Internationally, we intend to prioritize institutions with postgraduate research capabilities recognized by the MOE. In terms of geographic location, we intend to prioritize institutions in developed countries. An expanded overseas school network will provide students with more options of destinations for studying aboard, while further attracting overseas students to be enrolled.

We have been in the process of identifying and in discussion on on-going opportunities and potential projects. Our Group will make disclosures on mergers and acquisitions as and when appropriate.

Building on our existing strengths and exploring new growth areas

We believe the quality of our education services is the cornerstone of our business. We intend to continue with the expansion and diversification of our course offerings in response to industry trends and market demand, including the offering of new majors based on market developments. We plan to further solidify our competitive advantage in the provision of well-rounded education with a special focus on applied sciences.

MANAGEMENT DISCUSSION & ANALYSIS

We have established two new majors for our undergraduate program: (i) health services and management, and (ii) art and technology, for the 2020/2021 school year. We believe that these majors will further expand the categories of our majors and meet the increasing demands of the health services and the cultural and creative industries. We have also established the college of health management in June 2020, offering two undergraduate major programs: (i) nursing, and (ii) health services and management, and one junior college program in nursing. Meanwhile, we established the international education institute (國際教育學院) in September 2020 to carry out the teaching, scientific research and student management of Sino-foreign cooperation projects, and provide services such as studying abroad, exchanges, and language training for all students in our University to further improve the level of international education. In November 2020, the college of education (教育學院) was established to cultivate high-quality applied technology professionals with good ethics, solid theoretical foundation, strong practical ability, and innovative spirit and international vision. In addition, we have two new majors at undergraduate level which have been approved in February 2021, namely (i) fashion and communication (時尚傳播), and (ii) elder-caring service management (養老服務管理), and are expected to be available for enrollment in the 2021/2022 school year, aiming to cultivate specialised talents who have knowledge in fashion and operational practice of fashion industry, and talents on market demand who are equipped with the ability to provide professional elder-caring services.

We also plan to expand our continuing education college. We believe that the number of our part-time student enrollment will continue to maintain a growth trend in tandem with the growing demand for continuing education among the employed population. As at 30 June 2020, our continuing education college had an enrollment of 2,474 students. In addition to our on-campus facilities, we have also entered into arrangements for the use of facilities of independent third party training or tutoring service providers in Shanghai to provide certain continuing education courses at their premises and have established eight off-campus education centers in different areas in Shanghai in order to provide more location options and save travel time for potential part-time students. Upon review and expert assessment by the Shanghai Municipal Human Resources and Social Security Bureau, our University was successfully approved as the Shanghai High-Skilled Talent Training Base (上海市高技能人才培養基地) on 13 November 2020, which contributes to our exemplary and leading role in cultivating high-skilled talents and provides more powerful skilled talents support for realizing regional high-quality development.

In the meantime, our minor bachelor's degree program admission has continued to make steady progress, in accordance with the principles set out in the "Measures for the Administration of the Delegation and Conferment of Bachelor's Degrees" published by the Academic Degrees Committee of the State Council of the PRC. In addition to his/her major, our students can concurrently study for a minor at undergraduate level and obtain optional bachelor's degrees if they complete the necessary credits and meet the requirements of the bachelor degree program. Students will be charged a tuition fee for minor based on credits taken.

MANAGEMENT DISCUSSION & ANALYSIS

Reaping benefits afforded by the Lingang New Area policy to pursue the integrated development of industry, education and city

According to the “General Planning for State-owned Land in Lingang New Area of the China (Shanghai) Pilot Free Trade Zone (2019–2035)”, by 2035, Lingang New Area will be developed into a world-class coastal city with a gross domestic product of RMB1,000 billion and a resident population of approximately 2.50 million, characterised by young, internationalised and well-educated residents with high mobility, and housing not less than one-third of the multinational corporate headquarters in Shanghai. To take advantage of the development of Lingang New Area, we have entered into a strategic framework agreement for university-enterprise cooperation with Lingang Group for the joint creation of the Lingang New Area Industrial University (臨港新片區產業大學), which aims to offer majors for five key industrial aspects, commence multidimensional cooperation projects with 50 leading enterprises in Lingang, build a 500-member high-calibre teaching team and groom 5,000 specialised talents urgently required by corporations in the new area by 2023. In December 2020, Lingang New Area Industrial University officially opened. As one of the training bases for highly skilled talents of industrial universities, our University will continue to work with local enterprises to further identify the respective advantages and resources of the industry and higher education institution, so as to commence in-depth cooperation in joint training of high-tech talents, industry-university research collaboration and employment promotion, and form a long-term mechanism for win-win cooperation and common development.

LATEST REGULATORY DEVELOPMENT

On 20 April 2018, the MOE issued the Implementing Regulations for the Law for Promoting Private Education of the PRC (the Draft Revision) (the Consultation Version) (《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)》) (the “MOE Draft for Comments”) to solicit public views. On 10 August 2018, the Ministry of Justice of the PRC announced the Implementing Regulations for the Law for Promoting Private Education of the PRC (Revised Draft) (Draft for Review) (《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)》) (the “MOJ Draft for Review”) for consultation on the basis of the aforesaid MOE Draft for Comments issued by the MOE. For more details, please refer to the section headed “Business — Potential Implications of the 2016 Decision and Related Implementing Rules and Regulations — Potential implications of the MOJ Draft for Review if it becomes effective” in the Prospectus. As at the date of this annual report, the MOJ Draft for Review has yet to be promulgated or enacted in the PRC, our Company will continue to monitor developments of the MOJ Draft for Review and related laws and regulations.

Pursuant to the 2016 Decision which took effect on 1 September 2017, school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that schools providing nine-year compulsory education must be non-profit. On 26 December 2017, the People’s Government of Shanghai promulgated the Implementation Opinions of Shanghai Municipal People’s Government on Promoting the Healthy Development of Private Education (《上海市人民政府關於促進民辦教育健康發展的實施意見》) and the Administration Measures of Shanghai Municipality on Classification of Licensing and Registration of Private Schools (《上海市民辦學校分類許可登記管理辦法》), pursuant to which further requirements are implemented in light of the 2016 Decision, which include but are not limited to, the requirement that school sponsors of private schools (other than schools providing compulsory education) established and registered in Shanghai prior to 7 November 2016 shall submit in writing their decisions to convert into for-profit or non-profit schools by 31 December 2018 and complete the conversion to a non-profit school by 31 December 2019 and to a for-profit school by 31 December 2021 for higher education institutions. Under the existing regulatory environment and based on the interpretation of the 2016 Decision and related implementing rules and the existing ownership structure of our University, in December 2018, the School Sponsors have submitted their decision to the Shanghai Municipal Education Commission to register as a for-profit private school. Pursuant to the 2016 Decision, school sponsor(s) of a private school may freely at its own discretion choose for the school to be a for-profit private school or a non-profit private school, with the exception that schools providing nine-year compulsory education must be non-profit. Our PRC Legal Advisors are thus of the view that our University would be able to be registered as a for-profit private school.

MANAGEMENT DISCUSSION & ANALYSIS

In addition, on 15 March 2019, the Foreign Investment Law was formally passed by the 13th National People's Congress of the PRC and has been taken effect on 1 January 2020.

The Foreign Investment Law stipulates three forms of foreign investment. However, the Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by our PRC Legal Advisors, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, administrative regulations or provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment and the operation of higher education is still in the Negative List, our Existing Contractual Arrangements as a whole and each of the agreements comprising the Existing Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties. Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations, or provisions prescribed by the State Council”. Therefore, there are possibilities that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment, and then whether our Existing Contractual Arrangements will be recognized as foreign investment, whether our Existing Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how our Existing Contractual Arrangements will be handled are uncertain.

As at the date of this annual report, our Group's operations have not been affected by the above law, decision, implementing regulations and rules and administration measures. Based on the current conditions and Company's preliminary assessment, the Board is of the view that above law, decision, implementing regulations and rules and administration measures do not have an immediate material adverse impact on our Group's business operations, business plans and financial conditions.

Our Company will continue to monitor developments of above law, decision, implementing regulations and rules, administration measures and related laws and regulations, and will make further announcements in respect thereof in accordance with the Listing Rules as and when appropriate.

FINANCIAL REVIEW

Revenue

Revenue represents the value of services rendered during the Reporting Period. Our Group derives revenue from tuition fees, boarding fees and other education related services its university collect from students.

Our Group's revenue increased by approximately RMB53.5 million, or 10.7%, from approximately RMB501.4 million for the year ended 31 December 2019 to approximately RMB554.9 million for the year ended 31 December 2020, which was mainly due to, (i) the increase in the revenue derived from tuition fees and other education related services by approximately RMB71.8 million, or 16.5%, which was in relation to the increase in the average tuition rates during the year ended 31 December 2020 and the growth in the number of newly admitted student for the 2020/2021 school year commencing in September 2020 due to the utilization of the new dormitory buildings in its existing school campus in 2020, and (ii) the decrease in the revenue derived from boarding fees by approximately RMB18.3 million, or 27.8%, as our University refunded the boarding fees amounting to approximately RMB34.0 million to our students in accordance with the boarding fees refund policy released by the competent authorities due to the COVID-19 pandemic during the year ended 31 December 2020.

Cost of Sales

Our Group's cost of sales primarily consisted of salary costs, depreciation and amortization, student-related expenses, cooperative education expenses, teaching material expenses and maintenance expenses, along with training expenses, research and development costs, travel expenses, office expenses, and others.

MANAGEMENT DISCUSSION & ANALYSIS

Our Group's cost of sales slightly decreased by approximately RMB2.0 million, or 0.9%, from approximately RMB221.5 million for the year ended 31 December 2019 to approximately RMB219.5 million for the year ended 31 December 2020, which was primarily due to the decrease in student-related expenses and other miscellaneous costs, as our students did not live on campus under the outbreak of COVID-19 during the first half of 2020.

Gross Profit and Gross Profit Margin

Our Group's gross profit represents our revenue less cost of sales. Our Group's gross profit margin represents our Group's gross profit as a percentage of the revenue.

Our Group's gross profit increased by approximately RMB55.5 million, or 19.8% from approximately RMB279.9 million for the year ended 31 December 2019 to approximately RMB335.4 million for the year ended 31 December 2020. Our Group's gross profit margin represents our Group's gross profit as a percentage of its revenue. For the year ended 31 December 2020, our Group achieved a gross margin of 60.4%, up by 4.6 percentage points as compared to the last year, which was mainly due to the combined effects of (i) the increasing number of student enrollment and average tuition rates as mentioned above, and (ii) the temporary closure of our campus under the outbreak of COVID-19 in China during the Reporting Period, which resulted in the decrease in the revenue from boarding fees, and the cost saving on the student-related expenses and other miscellaneous costs.

Other Income and Gain

Our Group's other income and gain primarily consisted of government grants, operating lease income from operators of supermarkets, snap shops and others in the school campus, and others.

Our Group's other income and gain increased by approximately RMB18.7 million, or 203.8%, from approximately RMB9.2 million for the year ended 31 December 2019 to approximately RMB27.9 million for the year ended 31 December 2020. The increase was primarily due to the receipt of the tax refund of approximately RMB20.0 million by our Group during the year ended 31 December 2020.

Selling and Distribution Expenses

Our Group's selling and distribution expenses primarily consisted of expenses incurred for relevant advertising of our University, including the cost of promotional brochures, transportation expenses, telecommunication expenses, business entertainment expenses and other expenses.

Our Group's selling and distribution expenses decreased by approximately RMB1.4 million, or 39.7%, from approximately RMB3.6 million for the year ended 31 December 2019 to approximately RMB2.2 million for the year ended 31 December 2020, which was mainly due to the decrease in cost on travel expenses and promotional brochures, as our Group currently carries out our student admission marketing activities mostly online, considering the impact of COVID-19 mentioned above.

Administrative Expenses

Our Group's administrative expenses consisted of salary expenses for administrative staff, logistic expenses, depreciation of vehicle and equipment for administrative purposes, and professional service expenses which mainly consisted of listing expenses, travel expenses, entertainment expenses, office expenses, and others.

MANAGEMENT DISCUSSION & ANALYSIS

Our Group's administrative expenses decreased by approximately RMB2.2 million, or 2.0%, from approximately RMB109.9 million for the year ended 31 December 2019 to approximately RMB107.7 million for the year ended 31 December 2020. The listing expenses for the year ended 31 December 2020 of approximately RMB9.5 million decreased by approximately RMB15.9 million compared to the amount for the year ended 31 December 2019. Eliminated the effect of listing-related expenses, which was a non-recurring item, our administrative expenses increased by approximately RMB13.7 million, or 16.2%, from approximately RMB84.5 million for the year ended 31 December 2019 to approximately RMB98.2 million for the year ended 31 December 2020, which was primarily due to the increase in administrative salary expenses and professional services expense, as it was in relation to the audit services, legal advisory services, and other compliance consultant services since the Listing Date.

Finance Costs

Our Group's finance costs primarily consisted of the interest expenses for bank loans. As certain bank loans were borrowed for phase two of our campus construction plan and the buildings under such campus construction plan were put into use at the end of August 2019, the corresponding interests ceased to be capitalised accordingly, which led to an increase in the finance costs for the year ended 31 December 2019, compared to the amount for the year ended 31 December 2020.

Profit Before Tax

For the year ended 31 December 2020, our Group recorded a profit before tax of approximately RMB198.0 million, representing an increase of approximately 56.8% year-on-year from approximately RMB126.3 million for the same period of last year.

Income Tax Expense

For the year ended 31 December 2020, our Group recorded income tax expense of approximately RMB5.0 million, representing an increase of approximately 472.3% year-on-year from approximately RMB0.9 million for the last year. The increase was primarily due to the taxable income, i.e. other income and gains, increased by approximately RMB18.7 million as mentioned above.

Profit for the Year

As a result of the combined effects of the above income, costs and expenses, our Group recorded a profit of approximately RMB193.1 million for the year ended 31 December 2020, representing an increase of approximately 53.9% as compared with approximately RMB125.4 million for the year ended 31 December 2019.

Adjusted Net Profit

To supplement our consolidated statements of profit or loss and consolidated statements of comprehensive income which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our operating performance. We also believe that such non-IFRS measure provides useful information to investors in understanding and evaluating our results of operations in the same manner as it helps our management and in comparing financial results across accounting periods and to those of our peer companies.

MANAGEMENT DISCUSSION & ANALYSIS

Adjusted net profit eliminates the effect of listing-related expenses, which is a non-recurring item. The term of adjusted net profit is not defined under IFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact on our net profit for the year. We compensate for these limitations by reconciling this financial measure to the nearest IFRS performance measure, which should be considered when evaluating our performance.

Our Group's adjusted net profit was determined by adjusting profit for the year ended 31 December 2020 from continuing operations of approximately RMB202.6 million (2019: approximately RMB150.8 million). Eliminated the effect of listing expenses of approximately RMB9.5 million (2019: approximately RMB25.4 million), our Group's adjusted net profit increased by approximately 34.3% from RMB150.8 million for the year ended 31 December 2019 to approximately RMB202.6 million for the year ended 31 December 2020.

Current Assets and Current Liabilities

Compared with the net current liabilities of RMB594.3 million as at 31 December 2019, the net current liabilities as at 31 December 2020 decreased by approximately RMB433.5 million, or 72.9%, which was mainly due to that, (i) our cash and cash equivalents increased by approximately RMB379.7 million, or 113.4%, from approximately RMB334.9 million for the year ended 31 December 2019 to approximately RMB714.6 million for the year ended 31 December 2020, which was in line with the gross of our Group's business and the net proceeds from the initial public offering of our company (including the full exercise of the over-allotment option) received by our Group during the Reporting Period, and (ii) our tax payable decreased to approximately RMB4.7 million as at 31 December 2020 from approximately RMB147.6 million as at 31 December 2019, as our Group paid approximately RMB147.5 million income tax during 2020, which was in relation to the disposal of old school buildings and transfer of land to an independent third party in August 2015 in accordance with the relevant tax rules.

Liquidity and Capital Resources

Our primary uses of cash were to fund our working capital requirements, our purchase of property, plant and equipment and to repay bank borrowings and related interest expenses. During the Reporting Period, we funded our operations principally with cash generated from our operations and bank borrowings. 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 the net proceeds from the initial public offering of our Company and other funds raised from the capital markets from time to time.

Property, Plant and Equipment

As at 31 December 2020, our Group's property, plant and equipment amounted to approximately RMB1,875.4 million, representing an increase of approximately 3.0% year-on-year from approximately RMB1,820.4 million recorded as at 31 December 2019. Such an increase was due to the phase three of the construction of the school premises.

Cash and Cash Equivalents

As at 31 December 2020, our Group's cash and cash equivalents was approximately RMB714.6 million, representing an increase of approximately 113.4% year-on-year from approximately RMB334.9 million for the same period of last year. The increase was mainly attributable to the combined effects of (i) the net proceeds from the initial public offering of our Company (including the full exercise of the over-allotment option) received by our Group during the Reporting Period, and (ii) the payments for phase two and phase three of our campus construction plan during the Reporting Period.

MANAGEMENT DISCUSSION & ANALYSIS

Bank Borrowings

Our Group's bank borrowings primarily consisted of short-term working capital loans and long-term project loans for the construction of the school premises.

We primarily borrowed loans from banks and financial institutions to supplement our working capital and finance our capital expenditure. Our bank borrowings amounted to approximately RMB1,124.6 million as at 31 December 2020 were all denominated in Renminbi. As at 31 December 2020, the average effective interest of our bank borrowings decreased to 4.85% (2019: 4.98%). Analysis of the maturity profile of the interest-bearing bank borrowings of our Group as at 31 December 2020 is set out in the notes 23 and 32 to the consolidated financial statements.

Capital Expenditure

Capital expenditures during the Reporting Period primarily related to the phase two and phase three of our campus construction plan, maintaining and upgrading existing school premises and purchasing additional educational facilities and equipment for our University. For the year ended 31 December 2020, our Group's capital expenditures were approximately RMB344.7 million.

Commitments

Our capital commitments primarily were related to the acquisition of property, plant and equipment. The following table sets forth our capital commitments as at the end of Reporting Period:

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for property, plant and equipment	214,370	800
Authorised, but not contracted for property, plant and equipment	71,750	—

Compared with the amount as at 31 December 2019, our contracted and authorised commitments as at 31 December 2020 increased by approximately RMB285.3 million, which was mainly in relation to the campus facilities to be constructed which were targeted to be put into use in the 2022/2023 school year under phase three of our campus construction plan.

Contingent Liabilities

As at 31 December 2020, our Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened (as at 31 December 2019: nil).

MANAGEMENT DISCUSSION & ANALYSIS

Key Financial Ratios

	As at/for the year ended	
	31 December	
	2020	2019
Gross profit margin	60.4%	55.8%
Net profit margin	34.8%	25.0%
Return on assets	5.7%	4.4%
Return on Equity	11.0%	12.4%
Current Ratio	0.8	0.4
Interest coverage ratio	4.6	3.6
Net debt to equity ratio	0.2	0.8
Gearing ratio	0.6	1.1
Total debt to assets ratio	0.3	0.4

Notes:

- (1) Gross profit margin equals our gross profit divided by revenue for the year.
- (2) Net profit margin equals our profit and total comprehensive income after tax divided by revenue for the year.
- (3) Return on assets equals net profit/(annualised net profit) for the year divided by total assets as at the end of the year.
- (4) Return on equity equals net profit/(annualised net profit) for the year divided by total equity amounts as at the end of the year.
- (5) Current ratio equals our current assets divided by current liabilities as at the end of the year.
- (6) Interest coverage ratio equals profit before interest and tax of one year divided by finance cost of the same year.
- (7) Net debt to equity ratio equals total interest-bearing bank borrowings net of cash and cash equivalents at the end of the year divided by total equity at the end of the year.
- (8) Gearing ratio equals total debt as at the end of the year divided by total equity as at the end of the year. Total debt includes all interest-bearing bank borrowings.
- (9) Total debt to assets ratio equals total interest-bearing bank borrowings at the end of the year divided by total assets at the end of the year.

Gearing Ratio

The gearing ratio as at 31 December 2020 decreased from 1.1 to 0.6, compared with the gearing ratio as at 31 December 2019, which was mainly due to (i) the increase in the share capital and share premium from the initial public offering of our Company and, (ii) the increase in our Group's business performance during the Reporting Period.

FOREIGN EXCHANGE RISK MANAGEMENT

The functional currency of our Company is Renminbi. The majority of our Group's revenue and expenditures are denominated in RMB. During the year ended 31 December 2020, our Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. Our Directors believe that our Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt practical and effective measures to prevent exposure to exchange rate risk. Our Group did not enter into any financial instrument for hedging purpose.

MANAGEMENT DISCUSSION & ANALYSIS

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS, FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

There were no significant investments held as at 31 December 2020, nor other material acquisitions and disposals of subsidiaries and associated companies. Save as disclosed in this annual report, as at 31 December 2020, our Group did not have any immediate plans for material investments and capital assets.

PLEDGE OF ASSETS

As at 31 December 2020, our Group's bank borrowings of approximately RMB681.3 million were secured by our Group's rights over tuition fees and boarding fees.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, our Group had 1,326 full-time employees (as at 31 December 2019: 1,173 employees), the remuneration policy and package of our Group's employees are periodically reviewed in accordance with industry practice and result performance of our Group. Our Group provides external and internal training programs to our employees. Our Group participates in various employee social security plans for our employees that are administered by local government, including housing, pension, medical insurance, occupational injury insurance, maternity insurance and unemployment insurance. The total remuneration cost incurred by our Group for the year ended 31 December 2020 was approximately RMB180.7 million (as at 31 December 2019: RMB167.8 million).

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Executive Directors

Mr. Zhou Xingzeng (周星增), aged 58, the founder of our Group, the chairman of the Board and a Controlling Shareholder, was appointed as a Director on 8 May 2018 and re-designated as an executive Director of our Company on 20 December 2018. Mr. Zhou has also been a director of Jian Qiao Group since November 2000, a director of Jian Qiao Investment since August 1999, and a director of our University since its establishment, respectively. He is responsible for overall management and strategic development of our Group. Mr. Zhou is the father of Mr. Zhou Qiaoqi, a joint company secretary, the deputy chief executive officer and the chief investment officer of our Company.

Mr. Zhou has more than 29 years of experience in education. The following table shows the key work experience of Mr. Zhou:

Period	Company	Position	Roles and responsibilities
September 1983 to December 1988	Guizhou Institute of Technology* (貴州工學院), currently known as Guizhou University (貴州大學)	teacher	teaching
January 1989 to December 1992	Wenzhou University (溫州大學), in Zhejiang Province, the PRC	head of the finance and accounting teaching and research office	organizing teaching activities and day-to-day management of the teaching and research section
January 1993 to June 1999	Tengen Group Co., Ltd 11th branch* (天正集團有限公司十一分公司)	general manager	overall management, major decision making and strategic planning
August 1999 to present	Jian Qiao Investment	successively served as chairman and director	overall management and strategic planning of Jian Qiao Investment
June 2000 to present	our University	chairman and director	overall management and strategic planning of our University
November 2000 to present	Jian Qiao Group	chairman and director	overall management and strategic planning of Jian Qiao Group
December 2018 to present	our Company	chairman and executive Director	overall management and strategic development of our Group
September 2020 to present	Jian Qiao University Company	chairman and director	overall management and strategic planning of Jian Qiao University Company

Save as disclosed above, Mr. Zhou did not hold directorship in other listed companies during the last three years.

DIRECTORS AND SENIOR MANAGEMENT

The following table shows the major offices of Mr. Zhou:

Period	Organization	Experience
February 2003 to present	Shanghai Municipal People's Congress (上海市人民代表大會)	deputy
December 2004 to present	Shanghai Children's Health Foundation* (上海市兒童健康基金會)	vice chairman
April 2007 to April 2017	Shanghai Committee of The China Democratic League (中國民主同盟上海市委員會)	vice-chairman
January 2009 to present	The China Association for Non-Government Education (中國民辦教育協會)	vice president
April 2012 to present	Shanghai Association for Non-Government Education (上海市民辦教育協會)	vice president

Mr. Zhou has received various awards and recognitions. The following table sets forth some of the awards and recognitions he has received:

Year	Award/Accreditation	Awarding Organization
March 2004	Shanghai Top Ten Influential Young Individuals to the Economy* (上海市十大青年經濟人物)	Shanghai Young Entrepreneur Association* (上海市青年企業家協會), Youth Newspaper* (青年報社), Wen Wei Po (文匯報) and four other organizations jointly
January 2006	Star Philanthropist in Shanghai* (上海市慈善之星)	Shanghai Charitable Foundation United Way Fund (上海市慈善基金會)
June 2006	Outstanding Friend of Party Building* (優秀黨建之友)	CPC Shanghai Social Work Committee* (中共上海市社會工作委員會)
September 2006	Advanced Individual in Building a Moderately Prosperous Society in All Respects in China* (全國全面建設小康社會先進個人)	All-China Federation of Industry and Commerce (中華全國工商業聯合會)

DIRECTORS AND SENIOR MANAGEMENT

Year	Award/Accreditation	Awarding Organization
January 2009	Special Award for Earthquake Relief Donation* (抗震救災捐贈特別獎)	Shanghai Municipal Bureau of Civil Affairs (上海市民政局)
November 2009	Distinguished builder of Socialism with Chinese Characteristics* (優秀中國特色社會主義事業建設者)	The United Front Work Department of CPC Central Committee (中國共產黨中央委員會統一戰線工作部), Ministry of Industry and Information Technology of the PRC (中國工業和信息化部) and other three organizations
May 2011	Advanced Individual* (先進個人)	China Democratic League Central Committee (中國民主同盟中央委員會)
June 2012	Lifetime Honorary Award* (終身榮譽獎)	Shanghai Wenzhou Youth Federation* (上海溫州青年聯合會)
June 2013	Advanced Individual in Conscription Work* (徵兵工作先進個人)	Shanghai Municipal People's Government (上海市人民政府) and Chinese People's Liberation Army Shanghai Garrison* (中國人民解放軍上海警備區) jointly
January 2016	Star of Caring for Children's Health Charity* (關愛兒童健康公益之星)	Shanghai Children's Health Foundation (上海市兒童健康基金會)

Mr. Zhou graduated as an undergraduate in industrial finance and accounting (工業財會) from Jiangxi Finance and Economics College* (江西財經學院), currently known as Jiangxi University of Finance and Economics (江西財經大學), in Jiangxi Province, the PRC in July 1983.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zheng Xiangzhan (鄭祥展), aged 64, a Controlling Shareholder, joined our Group in August 1999 and was appointed as an executive Director and the chief executive officer of our Company on 20 December 2018. Mr. Zheng has also been a director of Jian Qiao Group since November 2000 and a director of our University since its establishment, respectively. He is responsible for the overall operation of our Group.

Mr. Zheng has more than 20 years of experience in education. The following table shows the key work experience of Mr. Zheng:

Period	Company	Position	Roles and responsibilities
August 1999 to present	Jian Qiao Investment	successively served as general manager, director, chairman and supervisor	supervision of financial management and senior management execution
June 2000 to present	our University	concurrently/successively served as vice chairman, director, deputy principal and financial controller	operational and financial management
November 2000 to present	Jian Qiao Group	vice chairman, director and president	overall management, major decision making and strategic planning
December 2018 to present	our Company	executive Director and chief executive officer	overall operation of our Group
September 2020 to present	Jian Qiao University Company	director	operational and financial management

The following table shows the major offices of Mr. Zheng:

Period	Organization	Experience
March 2003 to July 2009	Shanghai Nanhui District Municipal People's Congress* (上海市南匯區人民代表大會), currently known as Shanghai Pudong New Area Municipal People's Congress* (上海市浦東新區人民代表大會)	deputy
July 2009 to January 2017	Shanghai Pudong New Area Municipal People's Congress* (上海市浦東新區人民代表大會)	deputy

Save as disclosed above, Mr. Zheng did not hold directorship in other listed companies during the last three years.

Mr. Zheng was accredited as Advanced Individual in the Shanghai United Front* (上海市統一戰線先進個人) by the United Front Work Department of the CPC of Shanghai* (中共上海市委統戰部) and Shanghai Human Resources Bureau* (上海市人事局) in August 2006.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zheng obtained a master's degree in management at Shanxi University (山西大學) in Shanxi Province, the PRC in July 2005.

Mr. Shi Yinjie (施銀節), aged 63, a Controlling Shareholder, joined our Group in August 1999 and was appointed as an executive Director of our Company on 20 December 2018. Mr. Shi has also been a director of Jian Qiao Group since November 2000 and our University since its establishment, respectively. He is responsible for the administrative management of our Group.

Mr. Shi has more than 20 years of experience in education. The following table shows the key work experience of Mr. Shi:

Period	Company	Position	Roles and responsibilities
January 1991 to December 1999	Dianguang Explosion Protection Technology Co., Ltd (電光防爆科技股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 002730)	general manager	day-to-day management
August 1999 to September 2008	Jian Qiao Investment	concurrently/successively served as deputy general manager and director	day-to-day management of the board
June 2000 to present	our University	director	day-to-day management of the board of our University
November 2000 to present	Jian Qiao Group	vice chairman and director	strategic planning, overall management supervision and corporate governance implementation
December 2018 to present	our Company	executive Director	administrative management of our Group
September 2020 to present	Jian Qiao University Company	director	day-to-day management of the board of Jian Qiao University Company

Save as disclosed above, Mr. Shi did not hold directorship in other listed companies during the last three years.

Mr. Shi completed the senior management MBA core courses (高級經理MBA核心課程) in Fudan University (復旦大學) in Shanghai, the PRC, in August 2003.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Mr. Zhao Donghui (趙東輝), aged 54, joined our Group as a shareholder of Jian Qiao Group in March 2018 and was appointed as a non-executive Director of our Company on 20 December 2018. He is responsible for providing opinion and judgment to our Board.

The following table shows the key work experience of Mr. Zhao:

Period	Company	Position	Roles and responsibilities
October 2003 to present	Zhejiang Fangzheng Industrial Co. Limited* (浙江方陣實業有限公司), a company primarily engaged in building material sales	chairman	overall management, major decision making and strategic planning
January 2010 to present	Changjiu Industry Group Co. Limited* (長九實業集團有限公司), a company primarily engaged in real estate development and commercial hotels	chairman	overall management, major decision making and strategic planning
December 2018 to present	our Company	non-executive Director	providing opinion and judgment to our Board

Save as disclosed above, Mr. Zhao did not hold directorship in other listed companies during the last three years.

Mr. Zhao obtained the qualification as a senior economist granted by Zhejiang Province Human Resources Bureau* (浙江省人事廳), currently known as Zhejiang Province Human Resources and Social Security Department (浙江省人力資源和社會保障廳), in December 2005. He graduated as an undergraduate in civil engineering from Southwest University of Science and Technology (西南科技大學) in Sichuan Province, the PRC in January 2006.

Mr. Du Jusheng (杜舉勝), aged 55, was appointed as a non-executive director of our Company on 24 July 2020. He is responsible for providing opinion and judgement to our Board.

Mr. Du has more than 11 years of experience in education. He served as a teacher at Nanan Teacher Training College* (南安師範學校) from 1987 to 1988. Mr. Du worked in different positions at various governmental agencies and departments since 1988, including but not limited to, Shishi Education Bureau* (石獅市教育局), Organizational Department of Quanzhou City Committee of the CPC* (中共泉州市委組織部) and Shishi Municipal People's Government* (石獅市人民政府). Mr. Du also served as deputy secretary of the CPC committee at Quanzhou Vocational College of Optoelectronic Information* (泉州光電信息職業學院) from 2005 to 2008. He has been the general manager of Xiamen ITG Education Group Co., Ltd. (廈門國貿教育集團有限公司) since December 2017.

Save as disclosed above, Mr. Du did not hold directorship in other listed companies during the last three years.

Mr. Du graduated from Fujian Normal University (福建師範大學) in July 1987 with a bachelor's degree in school education and completed postgraduate courses in philosophy in Fujian Provincial Committee Party School of the CPC* (中共福建省委黨校) in January 2015.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Mr. Chen Baizhu (陳百助), aged 57, was appointed as an independent non-executive Director of our Company on 20 December 2018.

The following table shows the key work experience and major offices of Mr. Chen:

Period	Company/Organization	Position/Experience
1994 to present	University of Southern California in California, the US	professor
May 2008 to November 2014	Aegon-Industrial Fund Management Co., Ltd. (興業基金管理有限公司), a company primarily engaged in investment and financial services	independent director
December 2018 to present	our Company	independent non-executive Director

Save as disclosed above, Mr. Chen did not hold directorship in other listed companies during the last three years.

Mr. Chen was awarded the 2002–2003 Golden Apple Teaching Award by Marshall School of Business of University of Southern California.

Mr. Chen graduated from Fudan University (復旦大學) in Shanghai, the PRC with a bachelor's degree in science in July 1985 and graduated from University of Rochester in the State of New York, the US with the doctor of philosophy degree in May 1992.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Hu Rongen (胡戎恩), aged 51, was appointed as an independent non-executive Director of our Company on 20 December 2018.

The following table shows the key work experience of Mr. Hu:

Period	Company	Position
July 2001 to September 2007	Shanghai University of Political Science and Law (上海政法學院)	deputy director of marketing department
October 2007 to September 2008	Doctor service group in western district* (西部博士服務團) Prefectural Administrative Office in Tongren District* (銅仁地區行政公署)	specialist assistant (專員助理)
October 2009 to May 2015	Shanghai University of Political Science and Law (上海政法學院)	director of training department
June 2015 to present	Shanghai University of Political Science and Law (上海政法學院)	dean of the faculty of financial law
December 2018 to present	our Company	independent non-executive Director

Save as disclosed above, Mr. Hu did not hold directorship in other listed companies during the last three years.

Mr. Hu was accredited as one of Top 10 Outstanding Youths* (十大傑出青年) in Shanghai Judicial Administration System* (上海司法行政系統) by Political Department of Shanghai Bureau of Justice* (上海司法局政治部) in April 2009.

Mr. Hu graduated from National Court Cadre Amateur Law University* (全國法院幹部業餘法律大學), currently known as National Judges College (國家法官學院), in Beijing, the PRC in September 1988. He also graduated as an undergraduate in law in July 1996 and with a master's degree in law in July 2000, and a doctoral degree in law in July 2006 from Peking University (北京大學) in Beijing, the PRC.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Liu Tao (劉濤), aged 56, was appointed as an independent non-executive Director of our Company on 20 December 2018.

The following table shows the key work experience of Ms. Liu:

Period	Company	Position
August 2001 to present	Shanghai Jiao Tong University (上海交通大學)	associate professor of Antai College of Economics & Management
September 2015 to present	Glorious Property Holdings Ltd. (恆盛地產控股有限公司), a company whose shares are listed on the Stock Exchange (stock code: 00845)	independent non-executive director
May 2016 to present	Shanghai SafBon Water Service (Holding) Inc. (上海巴安水務股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 300262)	independent director
June 2017 to July 2019	Shanghai No. 1 Pharmacy Co., Ltd. (上海第一醫藥股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600833)	independent director
August 2017 to December 2019	Zhe Jiang Songyuan Automotive Safety Systems. Co., Ltd. (浙江松原汽車安全系統股份有限公司), a company primarily engaged in developing and manufacturing automobile safety belts	independent non-executive director
February 2018 to present	Changjiang Investment Industrial Co., Ltd.* (長江投資實業股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600119)	independent director
May 2018 to November 2020	Shanghai Jielong Industry Group Co., Ltd. (上海界龍實業集團股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600836)	independent director
December 2018 to present	our Company	independent non-executive Director

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, Ms. Liu did not hold directorship in other listed companies during the last three years.

Ms. Liu has received several recognitions and awards related to teaching. From 2006 to 2018, Ms. Liu was awarded the Teaching Excellence Award of Antai College of Economics & Management* (安泰經管學院教學優秀獎), the Most Welcomed MBA Teacher of Antai College of Economics & Management* (安泰經管學院年度最受MBA學生歡迎教師獎) and Nomination Award of Teaching and Education Award of Shanghai Jiao Tong University* (上海交通大學教書育人獎提名獎).

Ms. Liu graduated from Shaanxi Institute of Finance* (陝西財經學院), currently known as School of Economics and Finance of Xi'an Jiaotong University (西安交通大學經濟與金融學院), in Shaanxi Province, the PRC with a bachelor's degree in economics (經濟學) in July 1986, and a master's degree in economics in July 1989.

SENIOR MANAGEMENT

Dr. Zhu Ruiting (朱瑞庭), aged 55, joined our Group in January 2003 and was appointed as a professor of our University in January 2007 and the principal of our University in November 2017. He is responsible for the overall operation of our University.

Dr. Zhu has more than 21 years of experience in teaching and academic research. The following table shows the key work experience and major offices of Dr. Zhu:

Period	Company/Organization	Position/Experience
November 1991 to October 1995	Wenzhou University (溫州大學), in Zhejiang Province, the PRC	lecturer
January 2003 to present	our University	concurrently/successively served as professor, dean of commerce department, head of research department, vice principal and principal
March 2016 to present	Expert Committee for China Association of Trade in Services* (中國服務貿易協會專家委員會)	vice chairman
July 2017 to present	Jiangxi University of Finance and Economics (江西財經大學), in Jiangxi Province, the PRC	part-time tutor

DIRECTORS AND SENIOR MANAGEMENT

Period	Company/Organization	Position/Experience
December 2017 to present	The Chinese People's Political Consultative Conference (CPPCC) Shanghai Committee (中國人民政治協商會議上海市委員會)	member
April 2018 to present	Eighth council of the China Economics Association* (中國商業經濟學會第八屆理事會)	standing director
September 2018 to present	China Humanities and Social Sciences Journal Evaluation Expert Committee of China Social Science Evaluation Institute* (中國社會科學評價研究院中國人文社會科學期刊評價專家委員會)	member
September 2020 to present	Jian Qiao University Company	director

Dr. Zhu did not hold any directorship in any listed companies during the last three years.

Dr. Zhu has received several awards and recognitions in recognition of his achievement in education. The following table sets forth some of the awards and recognition he has received:

Year	Award/Accreditation	Awarding Organization
September 2004	Shanghai Cultivate Talent Award* (上海市育才獎)	Shanghai Municipal Education Commission (上海市教育委員會), Shanghai Education Development Foundation (上海市教育發展基金會) and Shanghai Teacher's Union (中國教育工會上海市委員會) jointly
November 2008	Baosteel Excellent Teacher Award* (寶鋼優秀教師獎)	Baosteel Education Foundation (寶鋼教育基金會)
September 2009	Shanghai Cultivate Talent Award* (上海市育才獎)	Shanghai Municipal Education Commission (上海市教育委員會) and Shanghai Education Development Foundation (上海市教育發展基金會) jointly

Dr. Zhu graduated as an undergraduate in economic management in July 1986 from Hangzhou University, currently known as Zhejiang University (浙江大學) in Zhejiang Province, the PRC, and obtained a master's degree in economics from Shanghai Academy of Social Science (上海社會科學院) in Shanghai, the PRC in July 1989. He also graduated from University of Marburg in Marburg Town, Germany with a doctoral degree in economics in June 2001.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Bangyong (王邦永), aged 39, joined our Group in August 2005 and was appointed as the deputy chief executive officer of our Company on 20 December 2018. Mr. Wang has also been the assistant to the chairman of our University since November 2011 and the secretary of the board of our University since March 2011, and assistant to chairman of Jian Qiao Group since June 2011, respectively. He is responsible for administrative and public relations management of our Group.

Mr. Wang has more than 15 years of experience in education. The following table shows the key working experience and major offices of Mr. Wang:

<u>Period</u>	<u>Company/Organization</u>	<u>Position/Experience</u>
August 2005 to present	our University	successively/concurrently served as secretary of the board and assistant to the chairman
June 2011 to present	Jian Qiao Group	assistant to chairman
January 2017 to present	Shanghai Pudong New Area Municipal People's Congress* (上海市浦東新區人民代表大會)	deputy
December 2018 to present	our Company	deputy chief executive officer of our Company

Mr. Wang did not hold any directorship in any listed companies during the last three years.

Mr. Wang was awarded the Shanghai May Fourth Youth Medal* (上海市青年五四獎章) by Communist Youth League Shanghai Committee* (共青團上海市委員會) and Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) jointly, in April 2017. Meanwhile, he was conferred the title of Shanghai Labour Model (上海市勞動模範榮譽稱號) by Shanghai Municipal Federation of Trade Unions (上海市總工會) in December 2020.

Mr. Wang graduated from Fudan University (復旦大學) in Shanghai, the PRC with a bachelor's degree in law in July 2005, obtained a master's degree in public management from Fudan University (復旦大學) in June 2011, and has been studying at East China Normal University (華東師範大學) in Shanghai, the PRC for a doctoral degree in education leadership and management since July 2016.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhou Qiaoqi (周喬琪), aged 33, joined our Group in September 2017 and was appointed as the joint company secretary and chief investment officer of our Company on 20 December 2018, respectively. Mr. Zhou Qiaoqi has also been the assistant to the chairman of Jian Qiao Group since September 2017. He was also appointed as the deputy chief executive officer of our Company on 24 July 2020. He is responsible for overall corporate governance, investment and overseas operations management of our Group. Mr. Zhou Qiaoqi is the son of Mr. Zhou Xingzeng, the chairman and executive Director of our Company.

The following table shows the key work experience and major offices of Mr. Zhou Qiaoqi:

Period	Company/Organization	Position/Experience
October 2012 to July 2013	Shanghai Tiantian Fund Distribution Co., Ltd (上海天天基金銷售有限公司), a fund sales company	fund researcher
August 2013 to March 2015	Allied Fortune Management Ltd (聯裕管理 有限公司), an asset management company	vice president
April 2017 to present	Beta Gamma Sigma	lifetime member
September 2017 to present	Jian Qiao Group	assistant to the chairman
January 2018 to present	Shanghai Youth Entrepreneurs Association* (上海市青年企業家協會)	member
December 2018 to present	our Company	concurrently and/or successively served as joint company secretary, deputy chief executive officer and chief investment officer of our Company

Mr. Zhou Qiaoqi did not hold any directorship in any listed companies during the last three years.

Mr. Zhou Qiaoqi passed the fund qualification examination by Asset Management Association of China (中國證券投資基金業協會) in September 2017 and has become a Chartered Financial Analyst Charter-holder since April 2019. Mr. Zhou Qiaoqi graduated from Fudan University (復旦大學) in Shanghai, the PRC with bachelor of science in information and computing science degree in July 2010 and University of Southern California in Los Angeles, California, the US with a master of science in mathematical finance degree in May 2012 and master of business administration degree in August 2017.

DIRECTORS AND SENIOR MANAGEMENT

JOINT COMPANY SECRETARIES

Mr. Zhou Qiaoqi (周喬琪), aged 33, was appointed as one of the joint company secretaries of our Company on 20 December 2018. For details of Mr. Zhou Qiaoqi, please see the paragraph headed “— Senior Management” in this section.

Mr. Wong Yu Kit (黃儒傑) was appointed as the other joint company secretary of our Company on 20 December 2018 to assist Mr. Zhou Qiaoqi in discharging his duties as a company secretary including compliance matters relating to the Listing Rules and other Hong Kong regulatory requirements for a period of three years commencing from the Listing Date.

Mr. Wong is a vice president of SWCS Corporate Services Group (Hong Kong) Limited and has over ten years of experience in the corporate service field. Mr. Wong is an associate member of the Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). He also obtained a bachelor's degree in the Business Administration and Management from the University of Huddersfield and a master's degree in corporate governance from the Open University of Hong Kong. He is currently the company secretary or joint company secretary of several companies listed on the Stock Exchange.

REPORT OF THE DIRECTORS

The Board is pleased to present the report of the Directors together with the audited consolidated financial statements of our Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

Our Group operates the leading private university in Shanghai, which is also a leading private university in the entire Yangtze River Delta. Analysis of the principal activities of our Group during the year ended 31 December 2020 is set out in the note 1 to the consolidated financial statements.

SUBSIDIARIES

Details of the principal subsidiaries of our Company are set out in note 1 to the consolidated financial statements.

RESULTS

The results of our Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and the consolidated statement of comprehensive income on pages 130 and 131 of this annual report.

DIVIDEND

An interim dividend of HK\$0.10 per Share for the six months ended 30 June 2020 was declared during the year ended 31 December 2020.

On 24 March 2021, the Board has resolved to recommend the payment of a final dividend of HK\$0.08 per Share for the year ended 31 December 2020 (the “2020 Final Dividend”). The 2020 Final Dividend is intended to be paid out of the share premium account of our Company and thus is subject to the approval of Shareholders. The circular convening the forthcoming annual general meeting of our Company (the “AGM”) to be held on 1 June 2021 will be dispatched in due course.

Upon the approval of the Shareholders, the 2020 Final Dividend will be payable on or around 17 June 2021 to the Shareholders whose names appear on the register of members of our Company on 7 June 2021. Including the interim dividend of HK\$0.10 per Share, the total dividend for 2020 was HK\$0.18 per Share, which represents a payout ratio of 33.6% of the profit attributable to Shareholders for the year ended 31 December 2020. There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

BUSINESS REVIEW AND FUTURE OUTLOOK

A review of business and future outlook of our Group during the year ended 31 December 2020 is set out in the section headed “Management Discussion and Analysis” of this annual report.

Significant Legal Proceedings

During the year ended 31 December 2020, our Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against our Company.

Compliance With Laws And Regulations

During the year ended 31 December 2020, our Group has complied with the relevant laws and regulations that have a significant impact on our Company.

REPORT OF THE DIRECTORS

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

Our Group is exposed to various risks in the operations of its business and our Group believes that risk management is important to its success. Key operational risks faced by our Group include, among others, changes in general market conditions and perceptions of private higher education, changes in the regulatory environment in the PRC private higher education industry, its ability to offer quality education to its students, its ability to increase student enrollment and/or raising tuition rates, its potential expansion, availability of financing to fund our expansion and business operations, and competition from other university operators that offer similar or higher quality of educational services.

In addition, our Group also faces numerous market risks, such as interest rate, credit and liquidity risks that arise in the normal course of our business.

Interest rate risk

Our Group's exposure to risk for changes in market interest rates relates primarily to our Group's interest-bearing bank borrowings. We do not use derivative financial instruments to hedge interest rate risk. We manage our interest cost using variable rate bank borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rates for our Group's variable rate bank loans and bank balances at the end of each reporting period and assumed that the amount outstanding at the end of each reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, our Group's post-tax profit for the year ended 31 December 2020 would decrease by RMB4,846,000, respectively. This is mainly attributable to our Group's exposure to interest rates on our bank balances and borrowing with variable rates.

Credit Risk

Our Group only trades with recognized and creditworthy third parties. It is our Group's policy that all customers who wish to receive credit are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our Group's exposure to bad debts is not significant.

Liquidity Risk

Our Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing borrowings. Cash flows are closely monitored on an ongoing basis.

Risk Management

To properly manage these risks and uncertainties, our Group has established the following risk management structures and measures. The details are set out in the paragraph headed "Risk Management and Internal Control" of the corporate governance report.

REPORT OF THE DIRECTORS

FINANCIAL SUMMARY

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

USE OF NET PROCEEDS FROM LISTING

On the Listing Date, 100,000,000 new Shares with nominal value of HK\$0.01 each of our Company were issued at a price of HK\$6.05 per Share in connection with our Company's initial public offering. On 11 February 2020, our Company further issued 15,000,000 Shares of HK\$0.01 each at a subscription price of HK\$6.05 per Share pursuant to the full exercise of over-allotment option.

Net proceeds from the initial public offering of our Company (including the full exercise of the over-allotment option) amounted to approximately HK\$666.0 million, after deducting underwriting fee and relevant expenses. Such amount were used and are proposed to be used as and when appropriate based on our Group's business needs according to the intentions previously disclosed in the Prospectus.

As at 31 December 2020, the utilisation of the net proceeds is as follows:

Unit: Hong Kong dollar million

Items	Percentage	Available	Utilised	Unutilised	Expected timeframe for full utilisation ⁽¹⁾
Acquisitions or investments to expand our school network	34.8%	231.7	—	231.7	31 December 2023
Finance construction projects on our campus and purchase of furniture and equipment	35.0%	233.1	233.1	—	N/A
Repay our short-term loans and the current portion of our long-term loans as they become due	20.2%	134.6	134.6	—	N/A
Supplement our working capital and for general corporate purposes	10.0%	66.6	66.6	—	N/A
Total	100.0%	666.0	434.3	231.7	

Note:

- (1) The expected timeline for the application of the unutilised net proceeds is subject to uncertainties brought by the international macro-environment and the unprecedented COVID-19 pandemic on the prevailing and future market conditions and business developments and in need. In view of the significant effects to the economy and business environment, we shall update and re-visit our plan continuously.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

Our Group's customers primarily consist of its students. We did not have any single customer who accounted for more than 5% of our revenue for the year ended 31 December 2020. The aggregate percentage of revenue attributable to the five largest customers is less than 30% of our revenue for the year ended 31 December 2020.

Our Group's suppliers primarily consist of construction service providers, enterprise partners who provide training to its students, technology service providers, and teaching equipment suppliers. For the year ended 31 December 2020, purchases from our five largest suppliers amounted to RMB93.1 million, accounting for 48.7% of its total purchases for the corresponding period. For the same period, purchases from our largest supplier amounted to RMB73.5 million, accounting for 37.9% of our total purchases for the relevant periods. Our Group's largest supplier in 2020 is construction service provider. The amount of purchases from our Group's five largest suppliers and from our Group's largest supplier went up due to the construction services our Group procured for the construction of school building, dormitory and auxiliary building.

None of the Directors, their respective close associates, or any Shareholder who, to the knowledge of the Directors, owns more than 5% of our issued capital, had any interest in any of our Group's five largest customers or suppliers for the year ended 31 December 2020.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

Our Group understands the importance of maintaining a good relationship with its employees, suppliers and customers to meet its immediate and long-term goals. Our Group maintains a good relationship with employees, suppliers and customers. During the Reporting Period, there were no material and significant dispute between our Group and its employees, suppliers and/or customers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of our Group during the year ended 31 December 2020 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of our Company during the year ended 31 December 2020 are set out in note 25 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

As at 31 December 2020, the distributable reserves of our Company, calculated under Part 6 of the Companies Ordinance, amounted to approximately RMB551.2 million.

Details of movements in the reserves of our Group and our Company during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity on page 134 and note 26 to the consolidated financial statements.

BANK BORROWINGS

The bank borrowings of our Group primarily consisted of short-term working capital loans and long-term project loans for the construction of the school premises. Details of the bank borrowings of our Group as at 31 December 2020 are set out in note 23 to the consolidated financial statements.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors of our Company during the Reporting Period and up to the date of this annual report are:

Executive Directors

Mr. Zhou Xingzeng (*Chairman*)

Mr. Zheng Xiangzhan

Mr. Shi Yinjie

Non-executive Directors

Mr. Zhao Donghui

Mr. Du Jusheng (*with effect from 24 July 2020*)

Independent Non-executive Directors

Mr. Chen Baizhu

Mr. Hu Rongen

Ms. Liu Tao

In accordance with article 83(3) of the Articles of Association, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Accordingly, Mr. Du Jusheng shall hold office till the AGM and, being eligible, will offer himself for re-election at the AGM.

In accordance with articles 84(1) and 84(2) of the Articles of Association, one-third of the Directors shall retire from office by rotation at each annual general meeting and shall then be eligible for re-election, and any Director appointed by the Board pursuant to article 83(3) of the Articles of Association shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation. Accordingly, Mr. Chen Baizhu, Mr. Hu Rongen and Ms. Liu Tao shall retire by rotation, and being eligible, have offered themselves for re-election at the AGM.

No Director proposed for re-election at the forthcoming AGM has an unexpired service contract or letter of appointment which is not determinable by our Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Details of the Directors to be re-elected at the AGM are set out in the circular will be sent to the Shareholders in due course.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of our Company are set out in the section headed “Directors and Senior Management” of this annual report.

REPORT OF THE DIRECTORS

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Our Company has received an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules from each of the independent non-executive Directors and our Company considers such Directors to be independent throughout the year ended 31 December 2020.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date.

Each of Mr. Zhao Donghui and Mr. Du Jusheng, being the non-executive Director, has entered into a letter of appointment with our Company for an initial fixed term of one year commencing from the Listing Date and 24 July 2020, respectively.

Each of the independent non-executive Directors has entered into a letter of appointment with our Company for an initial fixed term of one year commencing from the Listing Date.

All the service contracts and letters of appointment of Directors will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until the end of the fixed term. Save as disclosed above, none of the Directors has a service contract or letter of appointment which is not determinable by our Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Non-exempt Continuing Connected Transaction" and otherwise disclosed in this annual report, no Director or its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of our Group to which our Company, or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

Apart from the contract relating to the reorganization of our Group in relation to the Listing and save as disclosed in the paragraph headed "Non-exempt Continuing Connected Transaction" and otherwise disclosed in this annual report, none of the Controlling Shareholder or any of its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of our Group to which our Company, or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

No contract of significance for the provision of services to our Company or any of its subsidiaries or fellow subsidiaries by the Controlling Shareholders of our Company or any of its subsidiaries was entered into during the Reporting Period.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of our Company were entered into or existed for the Reporting Period.

EMOLUMENT POLICY

A remuneration committee was set up for reviewing our Group's remuneration policy and structure for all remuneration of the Directors and senior management of our Group, having regard to our Group's operating results, individual performance of the Directors and senior management and comparable market practices.

The Directors and senior management may also receive options to be granted under the Share Option Scheme. For further details of the Share Option Scheme, please refer to the paragraph headed "Share Option Scheme" below.

Our Company has adopted the Share Award Scheme in which (i) an employee (whether full time or part time), executive or officer, (ii) a director (including any executive, non-executive and independent executive director), or (iii) any consultant or adviser (whether professional or otherwise being engaged whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), of any member of our Group who, in the sole discretion of the Board, has contributed or may contribute to the growth and development of our Group will be entitled to participate. For further details of the Share Award Scheme, please refer to the paragraph headed "Share Award Scheme" below.

Details of the remuneration of the Directors and five highest paid individuals during the Reporting Period are set out in notes 8 and 9 to the consolidated financial statements. None of the Directors waived any emoluments during the Reporting Period.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of our Company are set out in note 7 to the consolidated financial statements.

REPORT OF THE DIRECTORS

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

As at 31 December 2020, the interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

I. Interest in Shares or underlying Shares of our Company

Name	Capacity/Nature of interest	Number of Shares	Long/short Position	Approximately Percentage of Shareholding in our Company
Mr. Zhou	Interest in a controlled corporation ⁽¹⁾	105,700,000	Long position	25.47%
Mr. Zheng Xiangzhan	Interest in a controlled corporation ⁽²⁾	30,600,000	Long position	7.37%
Mr. Zhao Donghui	Interest in a controlled corporation ⁽³⁾	30,000,000	Long position	7.23%
Mr. Shi Yinjie	Interest in a controlled corporation ⁽⁴⁾	17,100,000	Long position	4.12%

Notes:

- (1) Mr. Zhou is the sole shareholder and the sole director of She De Limited and Gan En Limited and he is therefore deemed to be interested in the Shares held by She De Limited and Gan En Limited.
- (2) Mr. Zheng Xiangzhan is the sole shareholder and the sole director of Ze Ren Limited and he is therefore deemed to be interested in the Shares held by Ze Ren Limited.
- (3) Mr. Zhao Donghui is the sole shareholder and the sole director of Ai Xin Limited and he is therefore deemed to be interested in the Shares held by Ai Xin Limited.
- (4) Mr. Shi Yinjie is the sole shareholder and the sole director of Tuan Jie Limited and he is therefore deemed to be interested in the Shares held by Tuan Jie Limited.

REPORT OF THE DIRECTORS

II. Interest in shares of associated corporation of our Company

Name	Name of associated corporation	Capacity/Nature of interest	Amount of registered share capital (RMB)	Approximate percentage of shareholding
Mr. Zhou	Jian Qiao Group	Beneficial owner	61,510,000	35.15%
Mr. Zheng Xiangzhan	Jian Qiao Group	Beneficial owner	17,850,000	10.20%
Mr. Zhao Donghui	Jian Qiao Group	Beneficial owner	17,500,000	10.00%
Mr. Shi Yinjie	Jian Qiao Group	Beneficial owner	9,970,000	5.70%

Save as disclosed above, as at 31 December 2020, none of the Directors or the chief executive of our Company had or was deemed to have any interest or short position in the Shares, underlying Shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2020, to the best knowledge of the Directors, the following persons (other than being a Director or chief executive of our Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by our Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Number of Shares	Long/short Position	Approximately Percentage of Shareholding in our Company
She De Limited	Beneficial owner	66,000,000	Long position	15.90%
Gan En Limited	Beneficial owner	39,700,000	Long position	9.57%
Ze Ren Limited	Beneficial owner	30,600,000	Long position	7.37%
Ai Xin Limited	Beneficial owner	30,000,000	Long position	7.23%
Xiamen ITG Education Group Co., Ltd.	Beneficial owner	25,880,000	Long Position	6.24%

Save as disclosed above, as at 31 December 2020, the Directors and the chief executive of our Company were not aware of any persons (who were not Directors or chief executive of our Company) who had an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE AWARD SCHEME

On 11 December 2020, our Company adopted the Share Award Scheme in which (i) an employees (whether full time or part time), executive or officer, (ii) a director (including any executive, non-executive and independent non-executive director), or (iii) any consultant or adviser (whether professional or otherwise being engaged whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid) of any member of our Group who, in the sole discretion of the Board, has contributed or may contribute to the growth and development of our Group (the “Eligible Participant”), will be entitled to participate.

1. Purposes and objectives

The purposes and objectives of the Share Award Scheme are (i) to recognise the contributions by certain Eligible Participants and to provide them with incentives in order to retain them for the continual operation and development of our Group; and (ii) to attract suitable personnel for further development of our Group.

2. Duration

Subject to any early termination as may be determined by the Board pursuant to rules of the Share Award Scheme (the “Scheme Rules”), the Share Award Scheme shall be valid and effective from 11 December 2020 to the date the last of the number of Shares determined by the Board and granted to such relevant Eligible Participant selected by the Board pursuant to the Scheme Rules for participating in the Share Award Scheme (the “Selected Participant”) has been vested and transferred to the Selected Participant or has lapsed in accordance with the Scheme Rules provided that no award shall be made on or after the 10th anniversary date of 11 December 2020.

3. Scheme limit

The Board shall not make any further award of awarded shares which will result in the number of Shares awarded by the Board under the Share Award Scheme exceeding 5% (i.e. 20,750,000 Shares) of the issued share capital of our Company as at 11 December 2020. The maximum number of Shares which may be awarded to a Selected Participant under the Share Award Scheme shall not exceed 1% (i.e. 4,150,000 Shares) of the issued share capital of our Company as at 11 December 2020.

4. Share purchase pursuant to the Share Award Scheme

On 11 December 2020, the Board resolved to provide from time to time but in any event a total sum of not exceeding HK\$100 million for the trustee, namely CMB Wing Lung (Trustee) Limited, to purchase existing Shares at appropriate time and hold such Shares for future award of Shares under the Share Award Scheme.

For more details of the Share Award Scheme, please refer to the announcements of our Company dated 11 December 2020 and 22 December 2020.

REPORT OF THE DIRECTORS

Since 11 December 2020 and up to the date of this annual report, the Board neither granted, lapsed or cancelled any awards nor caused to pay the trustee the trust fund for purchase nor subscription of Shares.

SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of the then shareholders of our Company passed on 19 December 2019 and adopted by a resolution of the Board on 19 December 2019 (the “Adoption Date”). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose and participants

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the Prospectus) an opportunity to have a personal stake in our Company and help motivate them to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined in the Prospectus), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. The Board may, at its absolute discretion, offer options (“Options”) to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to the Eligible Persons.

2. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (such 10% limit representing 40,000,000 Shares) excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option granted by our Company.

The total number of Shares available for issue under the Share Option Scheme was 40,000,000 Shares, representing approximately 9.6% of the issued Shares as at the date of this annual report.

3. Maximum entitlement of each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Company’s issued share capital from time to time.

4. Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

REPORT OF THE DIRECTORS

5. Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, the Board may impose any conditions, restrictions or limitations when offering the grant of an Option. Subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

6. Amount payable for Options and offer period

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date. Participants of the Share Option Scheme are required to pay our Company HK\$1.00 upon acceptance of the grant on or before 28 days after the offer date.

7. Subscription price

The subscription price shall be such price as the Board may determine at the time of grant of the relevant Option but the subscription price shall not be less than whichever is the highest of:

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and
- (c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 business days (as defined in the Listing Rules) immediately preceding the offer date.

8. Life of Share Option Scheme

Subject to the terms of this Share Option Scheme, the scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. The remaining life of the Share Option Scheme is 10 years.

During the Reporting Period, no option under the Share Option Scheme has been granted, exercised, lapsed or cancelled.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the sections headed "Share Award Scheme" and "Share Option Scheme" of this annual report and in the Prospectus, during the Reporting Period, neither our Company nor any of its subsidiaries had entered into (i) any agreement that will or may result in our Company issuing Shares; or (ii) any agreement requiring our Company to enter into any agreement specified in (i).

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save for our Company's initial public offering (including the full exercise of the over-allotment option) as described in the Prospectus from which our Company received net proceeds of approximately HK\$666.0 million, after deducting underwriting fee and relevant expenses, there is no other issue of Shares by our Company, and neither our Company nor any of its subsidiaries had purchased, sold or redeemed any other listed securities of our Company during the period from the Listing Date to 31 December 2020.

PRE-EMPTIVE RIGHTS

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

PERMITTED INDEMNITY PROVISION

Pursuant to article 164(1) of the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of our Company from and against all actions, costs, charges, losses, damages and expenses which they or any of the Directors shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to our Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to our Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

NON-COMPETITION UNDERTAKING

Our Group currently engages in the provision of private formal higher education. Other than their interest in our Group, the Controlling Shareholders and their associates also hold direct or indirect interests in companies outside of our Group, which engage in other businesses not related to higher education.

The Controlling Shareholders have entered into the Deed of Non-Competition on 19 December 2019 in favour of our Company, pursuant to which our Controlling Shareholders have jointly and severally and irrevocably undertaken with our Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his associates (except any members of our Group) would not, during the restricted period, directly or indirectly, either on its or his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time.

REPORT OF THE DIRECTORS

Compliance with the Deed of Non-Competition

During the Reporting Period, the Controlling Shareholders did not have any other interest in any business that may, directly or indirectly, compete with the business of our Group.

Our Company has received confirmations from the Controlling Shareholders confirming their compliance with the Deed of Non-Competition during the Reporting Period for disclosure in this annual report.

The independent non-executive Directors have reviewed the compliance with the Deed of Non-Competition during the Reporting Period based on the information and confirmation provided by or obtained from the Controlling Shareholders, and were satisfied that the Controlling Shareholders have duly complied with the Deed of Non-Competition.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the period from the Listing Date and up to 31 December 2020, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of our Group.

CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director	Details of changes
Independent Non-Executive Director:	
Ms. Liu Tao	<ul style="list-style-type: none">Ms. Liu Tao ceased to be an independent director of Shanghai Jielong Industry Group Co., Ltd. (上海界龍實業集團股份有限公司), a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600836) in November 2020.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors are set out in the preceding section headed "Directors and Senior Management".

REPORT OF THE DIRECTORS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

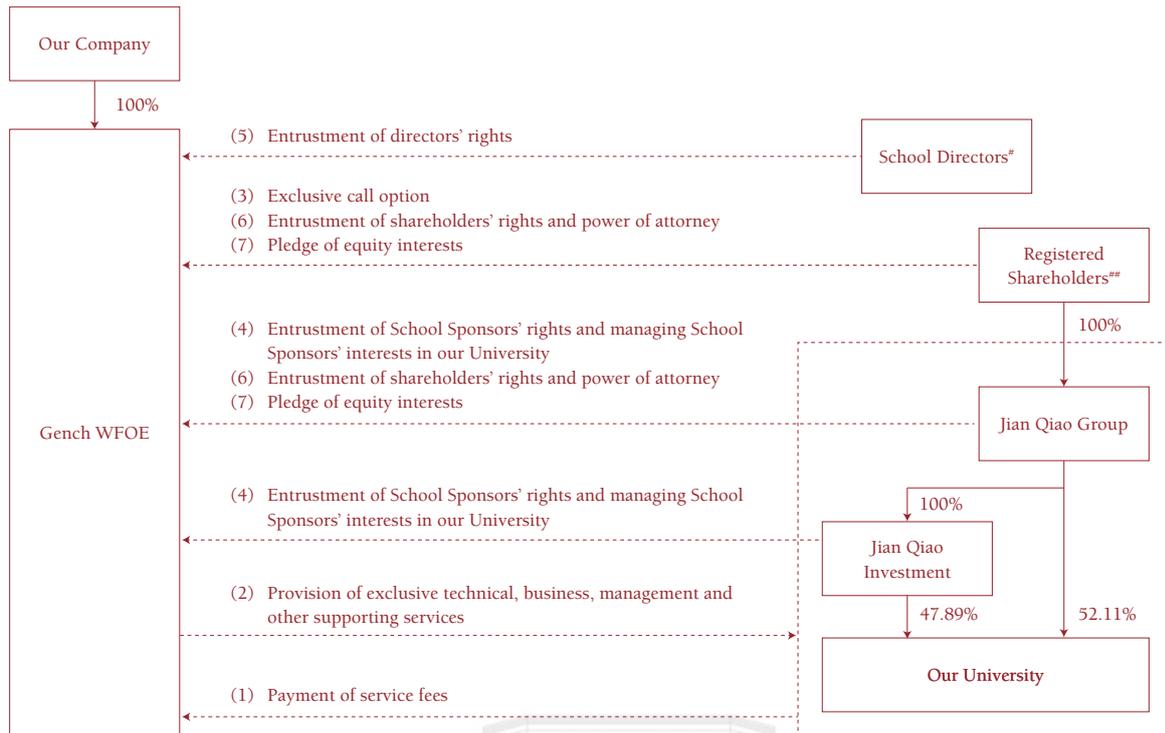
During the Reporting Period, the following transactions carried out by our Group and the connected persons of our Company constituted non-exempt continuing connected transactions of our Company pursuant to Chapter 14A of the Listing Rule:

Existing Contractual Arrangements

A. Overview

The PRC laws and regulations currently restrict the operation of formal higher education to sino-foreign ownership, in addition to imposing a qualification requirement on the foreign owners. As a result, our Group, through our wholly-owned subsidiary, Gench WFOE, the PRC Affiliated Entities and the Registered Shareholders entered into the Existing Contractual Arrangements such that we can conduct our business operations indirectly in the PRC through the PRC Affiliated Entities while complying with applicable PRC law and regulations. The Existing Contractual Arrangements, as a whole, are designed to provide our Group with effective control over the financial and operational policies of the PRC Affiliated Entities, to the extent permitted by PRC law and regulations, the right to acquire the equity interest and/or school sponsor's interest in the PRC Affiliated Entities after the Listing through Gench WFOE. As we operate our education business indirectly through the PRC Affiliated Entities and we do not hold any direct equity interest or school sponsor's interest in the PRC Affiliated Entities, the Existing Contractual Arrangements were entered into on 11 December 2018 pursuant to which all material business activities of the PRC Affiliated Entities are instructed and supervised by our Group through Gench WFOE, and all economic benefits arising from such business of the PRC Affiliated Entities are transferred to our Group.

The following simplified diagram illustrates the flow of economic benefits from our University and/or the School Sponsors to our Group stipulated under the Existing Contractual Arrangements:



“—————” denotes direct legal and beneficial ownership in the equity interest

“-----” denotes Contractual Arrangements

REPORT OF THE DIRECTORS

Notes:

- # The School Directors are eight directors of our University, including (i) Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan and Mr. Shi Yinjie who are also directors of our Company. Each of Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan and Mr. Shi Yinjie is also a controlling shareholder of our Company, holding approximately 25.47%, 7.37% and 4.12% equity interest in our Company (as at 31 December 2020), respectively; (ii) Mr. Chen Zhiyong, who is also a shareholder of our Company, holding approximately 3.53% equity interest in our Company (as at 31 December 2020).
- ## The Registered Shareholders are shareholders of Jian Qiao Group, including Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan, Mr. Zhao Donghui and Mr. Shi Yinjie, who are also directors of our Company. Each of Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan and Mr. Shi Yinjie is also a controlling shareholder of our Company, holding approximately 25.47%, 7.37% and 4.12% equity interest in our Company (as at 31 December 2020), respectively.

B. Summary of the Material Terms of the Existing Contractual Arrangements

The Existing Contractual Arrangements consist of a series of agreements, including the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreements, the School Sponsors' and Directors' Rights Entrustment Agreement, the Shareholders' Rights Entrustment Agreement, the School Sponsors' Powers of Attorney, the Directors' Powers of Attorney, the Shareholders' Powers of Attorney and the Spouse Undertakings, each of which is an integral part of the Existing Contractual Arrangements. For summary of material terms of these agreements, please refer to the section headed "Contractual Arrangements" in the Prospectus.

C. Business activities of the PRC Affiliated Entities

The business activities of the PRC Affiliated Entities of our Group, namely the School Sponsors and our University, are primarily to offer higher educational services to our Group's students.

D. Significance and Financial Contributions of the PRC Affiliated Entities

Pursuant to the Existing Contractual Arrangements, our Group obtains control over and derives the economic benefits from the PRC Affiliated Entities. The table below sets out the financial contribution of the PRC Affiliated Entities to our Group, including revenue, net profit and total assets of the PRC Affiliated Entities consolidated into our Group's financial statements pursuant to the Existing Contractual Arrangements:

	Revenue for the year ended		Net profit for the year ended		Total assets as at	
	31 December		31 December		31 December	
	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
PRC Affiliated Entities	554,895	501,442	178,238	149,413	2,864,981	2,838,332

E. Regulatory Update

1. Qualification Requirement

The foreign investor in a Sino-foreign joint venture private school offering higher education must be a foreign educational institution with relevant qualification and high quality of education (the “Qualification Requirement”). Foreign portion of the total investment in a Sino-foreign joint venture private school should be below 50% and the establishment of these schools is subject to approval of education authorities at the provincial or national level. We are committed to working towards meeting the Qualification Requirement. We have adopted a specific plan and taken concrete steps which our Company believes to be meaningful endeavors to demonstrate compliance with the Qualification Requirement. Please also refer to the section headed “Contractual Arrangements” in the Prospectus for our Group’s efforts and actions undertaken to comply with the Qualification Requirement.

As advised by our PRC Legal Advisors, 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 length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant educational authority that it meets the Qualification Requirement.

2. Foreign Investment Law

The Foreign Investment Law, which took effect on 1 January 2020, replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises and became the legal foundation for foreign investment in the PRC.

Conducting operations through contractual arrangements has been and will be further adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in China. The Foreign Investment Law does not explicitly stipulate contractual arrangements as a form of foreign investment. As advised by our PRC Legal Advisors, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, regulations and rules do not incorporate contractual arrangements as a form of foreign investment and the operation of higher education is still in the Negative List, the Existing Contractual Arrangements as a whole and each of the agreements comprising the Existing Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties.

Notwithstanding the above, there are possibilities that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment, and then whether the Existing Contractual Arrangements will be recognized as foreign investment, whether the Existing Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the Existing Contractual Arrangements will be handled are uncertain.

If the operation of higher education institutions is no longer in the Negative List and our Group can legally operate the education business under the PRC laws, Gench WFOE will exercise the equity call option under the Exclusive Call Option Agreement to acquire the equity interest in the PRC Affiliated Entities and unwind the Existing Contractual Arrangements subject to re-approval by the relevant authorities.

REPORT OF THE DIRECTORS

If the operation of higher education is in the Negative List, the Existing Contractual Arrangements may be viewed as restricted foreign investment. Although Existing Contractual Arrangements are not specified as foreign investment under the Foreign Investment Law, the Existing Contractual Arrangements may be regarded as invalid and illegal if the future laws, administrative regulations or provisions prescribed by the State Council define Existing Contractual Arrangements as a form of foreign investment and the operation of higher education is still in the Negative List. As a result, our Group would not be able to operate the PRC Affiliated Entities through the Existing Contractual Arrangements and we would lose our rights to receive the economic benefits of the PRC Affiliated Entities. As a result, the financial results of the PRC Affiliated Entities would no longer be consolidated into our Group's financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. An investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that a number of existing conglomerates are operating under contractual arrangements and some of which have obtained listing status abroad and contractual arrangements are not specified as foreign investment under the Foreign Investment Law, our Directors are of the view that it is unlikely that the relevant regulations will take retrospective effect to require the relevant enterprises to remove the Existing Contractual Arrangements.

F. Changes to the Existing Contractual Arrangements

Save as the minor updates disclosed below and the termination of the Existing Contractual Arrangement as described in the paragraph headed "Termination of the Existing Contractual Arrangements and establishment of the New Contractual Arrangements as a result of our Group's internal restructuring" below, as at the date of this annual report, there were no changes in the Existing Contractual Arrangements and/or the circumstances under which the Existing Contractual Arrangements were adopted.

Minor Updates to the Existing Contractual Arrangements

As disclosed in our Company's announcement dated 20 January 2021, four directors (namely, Mr. Huang Qingyun (黃清雲), Ms. Jiang Weiyi (蔣威宜), Mr. Zhang Jiayu (張家鈺) and Mr. Zhou Jianer (周健兒) and collectively, "Outgoing Directors") out of 11 directors of our University ceased to be directors of our University due to old age or family reason upon expiry of the then session of the board of directors of our University, and four new directors (namely, Mr. Yang Junhe (楊俊和), Mr. Yu Xiaoguang (俞曉光), Ms. Jing Xiaohuai (荆筱槐) and Ms. Zhang Jane) were therefore appointed and the list of directors has been filed with the Shanghai Municipal Education Commission.

Our Company was informed by Ms. Huang Chunlan (黃春蘭) that her spouse Mr. Wang Xuangui (王選桂), a minority shareholder who held approximately 1.74% equity interest of Jian Qiao Group, passed away in July 2020, and Ms. Huang Chunlan would inherit all the rights and obligations of Mr. Wang Xuangui as a shareholder of Jian Qiao Group pursuant to the relevant PRC laws and regulations. Accordingly, Ms. Huang Chunlan became a shareholder of Jian Qiao Group on 16 December 2020.

In light of the aforesaid change of directors of our University and a minority shareholder of Jian Qiao Group, and in order to ensure that our Company's interest is sufficiently protected:

- four directors of our University (namely, Mr. Zhu Ruiting, Mr. Yu Xiaoguang, Ms. Jing Xiaohuai, and Ms. Chen Wei) replaced the Outgoing Directors to enter into the related agreements under the Existing Contractual Arrangements on 29 January 2021 with retrospective effect from the date of change of directors; and

REPORT OF THE DIRECTORS

- Ms. Huang Chunlan replaced late Mr. Wang Xuanguai to enter into the related agreements under the Existing Contractual Arrangements and a no spouse undertaking (which has the substantially the same terms and conditions as the No Spouse Undertaking) on 29 January 2021 with retrospective effect from the date when she became a shareholder of Jian Qiao Group.

The Directors (including the independent non-executive Directors) are of the view that the above updates to the Existing Contractual Arrangements are only to reflect the change in directors of our University and change in shareholders of Jian Qiao Group. The arrangement under the Existing Contractual Arrangements (after the above updates) is effectively a reproduction of the existing framework under the Existing Contractual Arrangement (before the above updates).

G. Unwinding of the Existing Contractual Arrangements

As at the date of this annual report, there has not been any unwinding of any Existing Contractual Arrangements, nor has there been any failure to unwind any Existing Contractual Arrangements when the restrictions that led to the adoption of the Existing Contractual Arrangements are removed. For more details, please refer to the section headed “Contractual Arrangements — Termination of the Contractual Arrangements” of the Prospectus. In the event that the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), Gench WFOE will exercise the equity call option in full to hold all of the interest in our PRC Affiliated Entities and unwind the Existing Contractual Arrangements accordingly as permitted by the applicable PRC laws and regulations at the relevant time.

Compliance with the Existing Contractual Arrangements

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Existing Contractual Arrangements and our compliance with the Existing Contractual Arrangements:

- (a) major issues arising from the implementation and compliance with the Existing Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (b) our Board will review the overall performance of and compliance with the Existing Contractual Arrangements at least once a year;
- (c) our Company will disclose the overall performance and compliance with the Existing Contractual Arrangements in its annual reports and interim reports to update the Shareholders and potential investors;
- (d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding the qualification requirement and our status of compliance with the Foreign Investment Law as stipulated under the section headed “Contractual Arrangements — Background of the Contractual Arrangements” and the latest development of Foreign Investment Law as disclosed under the section headed “Contractual Arrangements — Development in the PRC Legislation on Foreign Investment” in the prospectus, including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the qualification requirement; and
- (e) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Existing Contractual Arrangements, review the legal compliance of Gench WFOE and our PRC Affiliated Entities to deal with specific issues or matters arising from the Existing Contractual Arrangements.

REPORT OF THE DIRECTORS

In addition, notwithstanding that certain executive Directors (namely, Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan and Mr. Shi Yinjie) are also the Registered Shareholders, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the Listing under the following measures:

- (a) the decision-making mechanism of the Board as set out in the Articles includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;
- (b) each of our Directors is aware of his fiduciary duties as a Director which requires, amongst other things, that he acts for the benefits and in the best interests of our Group;
- (c) we have appointed three independent non-executive Directors, comprising over one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and
- (d) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

Confirmation of independent non-executive Directors

The independent non-executive Directors reviewed the Existing Contractual Arrangements (collectively, the “Continuing Connected Transactions”) on an annual basis and confirmed that, during the Reporting Period:

- (i) the Continuing Connected Transactions have been entered into in the ordinary and usual course of business of our Group;
- (ii) the Continuing Connected Transactions are on normal commercial terms;
- (iii) the Continuing Connected Transactions have been entered into in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (iv) the transactions carried out during the year ended 31 December 2020 have been entered into in accordance with the relevant provisions of the Existing Contractual Arrangements, have been operated so that the profit generated by our PRC Affiliated Entities has been substantially retained by our Group; and
- (v) no dividends or other distributions have been made by our PRC Affiliated Entities to the holders of its School Sponsor’s interest which are not otherwise subsequently assigned or transferred to our Group.

REPORT OF THE DIRECTORS

Confirmation of auditor of our Company

Our Company's auditor has carried out procedures on the transactions on the continuing connected transactions entered into by our Group for the year ended 31 December 2020, and has provided a letter to the Directors with a copy to the Stock Exchange, confirming that in respect of the continuing connected transactions disclosed in this annual report:

- a. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;
- b. for transactions involving the provision of goods or services by our Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of our Group;
- c. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- d. with respect to the transactions carried out pursuant to the Existing Contractual Arrangement, nothing has come to their attention that causes them to believe that dividends or other distributions have been made by the PRC Affiliated Entities to the holders of the school sponsor's interest/equity interest which are not otherwise subsequently assigned or transferred to our Group.

Termination of the Existing Contractual Arrangements and establishment of the New Contractual Arrangements as a result of our Group's internal restructuring

As disclosed in the announcement of our Company dated 20 January 2021, our Group is conducting an internal restructuring to convert the PRC operating school of our Group into a for-profit private school to comply with the 2016 Decision and related implementing rules. Our Group is carrying out the relevant procedures to complete the registration of Jian Qiao University Company, a newly established company in the PRC, as a for-profit private school. In light of the aforesaid internal restructuring of our Group, on 29 January 2021, (i) our Company, Gench WFOE, the School Directors, the Registered Shareholders and the PRC Affiliated Entities entered into a series of termination agreements of the Existing Contractual Arrangements pursuant to which the Existing Contractual Arrangements will be terminated concurrently with effect from the de-registration of our University; (ii) our Company, Gench WFOE, the Appointed School Directors, the Registered Shareholders and the New PRC Affiliated Entities entered into the New Contractual Arrangements which have been entered into on substantially the same terms as those currently in place under the Existing Contractual Arrangements with effect from the termination of the Existing Contractual Arrangements.

For more details of the internal restructuring of our Group and the New Contractual Arrangements, please refer to the announcement of our Company dated 20 January 2021.

As at the date of this annual report, the Existing Contractual Arrangements are still effective and the New Contractual Arrangements have not come into effect.

REPORT OF THE DIRECTORS

As disclosed in the Prospectus, the Existing Contractual Arrangements may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new operating company engaging in the same business as that of our Group, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the Existing Contractual Arrangements. Since the New Contractual Arrangements are reproduced from the Existing Contractual Arrangements as provided under the conditions of the IPO Waiver, our Company has sought confirmation from the Stock Exchange, and the Stock Exchange has confirmed, that the transactions contemplated under the New Contractual Arrangements would continue to fall within the scope of the IPO Waiver and are exempt from (i) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the New Contractual Arrangements; (ii) the requirement of setting a maximum aggregate annual value (i.e. an annual cap) for the fees payable to our Group under the New Contractual Arrangements; and (iii) the requirement of limiting the term of the New Contractual Arrangements to three years or less, for so long as the Shares are listed on the Stock Exchange, subject to compliance with the same conditions of the IPO Waiver.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by our Group during the year ended 31 December 2020 are set out in note 29 to the consolidated financial statements. The transactions as set out therein ceased prior to the Listing and therefore do not fall under "Connected Transactions" or "Continuing Connected Transactions" in accordance with Chapter 14A of the Listing Rules, except for directors' emoluments, which form part of the "Directors' and chief executive's remuneration" described in note 8 to the consolidated financial statements were continuing connected transactions exempt from the connected transaction requirements under Rule 14A.76(1) or 14A.95 of the Listing Rules.

Our Company's Shares were listed on 16 January 2020. Our Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules since the Listing Date.

ENVIRONMENTAL PROTECTION AND SOCIAL RESPONSIBILITIES

As a responsible and leading higher educational service supplier, our Group is committed to protecting the environment and fulfilling social responsibility in order to achieve our goals in sustainable development. We adopt a comprehensive approach in environmental management and climate change mitigation by carrying out green and low-carbon operation in our University, minimizing the negative impact of our Group's business operating activities on the environment and strictly complying with the applicable environmental laws and regulations.

We understand that our employees are our valuable assets. Our Group is dedicated to providing a fair, equal, healthy and safe working environment to our employees. We offer competitive remuneration and benefits to our employees and provide them various promoting opportunities, strong academic and research atmosphere, and the international training programs, etc.

Our Group cares about our students and is committed to providing various effective communication channels to our students and establishing a healthy and safe campus. We strive to maintain a good relationship with our suppliers and other relevant stakeholders to establish a sustainable supply chain in excellent quality. We are dedicated to contributing to society and livelihood by fully engaging in charity activities and community services together with our employees and our students for community care and development.

As far as the Board and the management are aware, our Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of our Group. During the year ended 31 December 2020, there was no material breach of or non-compliance with applicable laws and regulations by our Group.

Please refer to the Environmental, Social and Governance Report in this annual report for more details.

REPORT OF THE DIRECTORS

DONATIONS

During the Reporting Period, the charitable and other donations made by our Group amounted to RMB100,000.

EVENTS AFTER THE REPORTING PERIOD

The events occurred after the Reporting Period are disclosed in note 34 to the consolidated financial statements.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by our Group and discussed auditing, internal control and financial reporting matters. The Audit Committee, together with the Board and external auditor, has reviewed our Group's audited consolidated financial statements for the year ended 31 December 2020.

CORPORATE GOVERNANCE

Our Company is committed to maintaining high standards of corporate governance practices. Information on the corporate governance practices adopted by our Company is set out in the section headed "Corporate Governance Report" of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to our Company and to the best knowledge of the Directors, at least 25% of our Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public at all times from the Listing Date and up to the date of this annual report.

AUDITOR

Ernst & Young was appointed as our Company's auditor for the year ended 31 December 2020. The accompanying financial statements prepared in accordance with IFRSs have been audited by Ernst & Young. Ernst & Young shall retire at the AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of Ernst & Young as our Company's auditor will be proposed at the AGM.

TAX RELIEF AND EXEMPTION

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

RECOMMENDATION TO CONSULT PROFESSIONAL TAX ADVICE

If the shareholders of our Company are not sure about the tax effect on the purchase, holding, sale, trading or exercise of any rights attached to the relevant Shares of our Company, they are recommended to consult independent experts for advice.

On behalf of the Board
Shanghai Gench Education Group Limited
Zhou Xingzeng
Chairman

Shanghai, China, 24 March 2021

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Our Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. Our Company has adopted the code provisions under the CG Code as its own code of corporate governance. Our Company has complied with all applicable code provisions under the CG Code during the period from the Listing Date to 31 December 2020. Our Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities, accountabilities and contributions of the Board and senior management

The Board is responsible and accountable for the overall leadership of our Group, oversees our Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of our Group to the senior management of our Group. To oversee particular aspects of our Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee (together, the "Board Committees", each a "Board Committee"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of our Company and the Shareholders at all times. Our Company has arranged appropriate liability insurance in respect of legal action against the Directors.

Directors' and Senior Management's Liability Insurance and Indemnity

Our Company has arranged appropriate liability insurance to indemnify the Directors and senior management of our Company for their liabilities arising out of corporate activities. The insurance coverage will be reviewed on an annual basis.

Board Composition

As at 31 December 2020, the Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors. The biographies of the Directors are set out under the section headed "Directors and Senior Management" in this annual report.

During the period from the Listing Date and up to 31 December 2020, the Board has met at all times the requirements under rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

Our 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.

Our Company has received an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules from each of the independent non-executive Directors and our Company considers such Directors to be independent throughout the year ended 31 December 2020.

Save as disclosed in the Directors' biographies set out in the section headed "Directors and Senior Management", none of the Directors have any personal relationship (including financial, business, family or other material or relevant relationship) with any other Director and chief executive.

CORPORATE GOVERNANCE REPORT

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as the identity of the public companies or organisations and the time involved to the issuer, the Directors have agreed to disclose their commitments and any subsequent change to our Company in a timely manner.

Induction and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of our Company's operations and businesses as well as his/her responsibilities under relevant statutes, laws, rules and regulations. Our Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on our Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of our Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a Director.

The attendance record of professional training received by the Directors for the year ended 31 December 2020 is as follows:

<u>Name of Director</u>	<u>Nature of continuous professional development programmes</u>
Mr. Zhou Xingzeng	A/B
Mr. Zheng Xiangzhan	A/B
Mr. Shi Yinjie	A/B
Mr. Du Jusheng (<i>with effect from 24 July 2020</i>)	A/B
Mr. Zhao Donghui	A/B
Mr. Chen Baizhu	A/B
Mr. Hu Rongen	A/B
Ms. Liu Tao	A/B

Notes:

A: Attending seminars and/or meetings and/or forums and/or briefings

B: Reading materials relevant to corporate governance, director's duties and responsibilities, listing rules and other relevant ordinances

Chairman and Chief Executive

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and performed by different individuals.

CORPORATE GOVERNANCE REPORT

Mr. Zhou Xingzeng is the chairman and is responsible for overall management and strategic development of our Group, while Mr. Zheng Xiangzhan is the chief executive officer and is responsible for overall operation of our Group. As a result, the roles of the chairman and chief executive are separate and performed by two different individuals.

Board Diversity Policy

Our Company has adopted a Board diversity policy (the “Board Diversity Policy”) which sets out the objective and approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. The Board Diversity Policy provides that our Company should endeavor to ensure that the Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our Group’s business strategy. Pursuant to the Board Diversity Policy, selection of candidates for Directors will be based in a range of diversity perspectives, including but not limited to professional experience, gender, age, culture, independence, educational background, knowledge, expertise and length of service. The Nomination Committee will: (1) report annually, in the corporate governance report contained in our annual report, on the Board’s composition under diversified perspectives, and monitor the implementation of our Board Diversity Policy; and (2) review our Board Diversity Policy, as appropriate, to ensure effectiveness of the policy and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Dividend Policy

The dividend policy of our Company (the “Dividend Policy”) is in place to ensure that the Board maintains an appropriate procedure on declaring and recommending the dividend payment of our Group. Accordingly, the Dividend Policy aims to allow Shareholders to participate in our Company’s profits whilst preserving our Company’s liquidity to capture future growth opportunities. The declaration and recommendation of dividends is subject to the decision of the Board after considering our Company’s ability to pay dividends. The Board has complete discretion on whether to recommend and/or pay a dividend, subject to Shareholders’ approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, the Laws and the Articles, and other factors affecting our Group. The Board shall review and reassess the Dividend Policy and its effectiveness in its sole and absolute discretion on a regular basis or as required.

Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with our Company for an initial fixed term of three years commencing from the Listing Date.

Each of Mr. Zhao Donghui and Mr. Du Jusheng, being the non-executive Director, has entered into a letter of appointment with our Company for an initial fixed term of one year commencing from the Listing Date and 24 July 2020, respectively.

Each of the independent non-executive Directors has entered into an letter of appointment with our Company for an initial fixed term of one year commencing from the Listing Date.

All the service contracts and letters of appointment of Directors will continue thereafter until terminated by not less than three months’ notice in writing served by either party on the other, which notice shall not expire until the end of the fixed term. Save as aforesaid, none of the Directors has a service contract or letter of appointment with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

CORPORATE GOVERNANCE REPORT

Pursuant to the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition and making recommendations to the Board on the appointment or re-election of Directors and succession planning for Directors.

Board Meetings

Our Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are despatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board 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. Minutes of meetings are kept by the joint company secretaries of our Company with copies circulated to all Directors for information and records.

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

The attendance records of each Director at the Board and the general meetings of our Company held during the year ended 31 December 2020 are set out in the table below:

Name of Director	Attended/ Eligible to attend the Board meeting	Attended/Number of general meeting held during a Director's tenure
Mr. Zhou Xingzeng	4/4	2/2
Mr. Zheng Xiangzhan	4/4	2/2
Mr. Shi Yinjie	4/4	2/2
Mr. Zhao Donghui	4/4	1/2
Mr. Du Jusheng (<i>with effect from 24 July 2020</i>)	2/2	1/1
Mr. Chen Baizhu	4/4	2/2
Mr. Hu Rongen	4/4	2/2
Ms. Liu Tao	4/4	2/2

CORPORATE GOVERNANCE REPORT

Delegation by the Board

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

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

Securities Transactions By Directors

Our Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions since its Listing on 16 January 2020. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the period from the Listing Date to 31 December 2020.

At the same time, since the Listing Date, our Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of our Company in respect of their dealings in our Company's securities.

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee with written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system of our Group, and oversee the audit process, risk management process and external audit functions. The Audit Committee consists of three members, namely, Ms. Liu Tao, Mr. Hu Rongen and Mr. Chen Baizhu. The chairman of the Audit Committee is Ms. Liu Tao.

During the year ended 31 December 2020, the Audit Committee mainly performed the following duties:

- reviewed our Group's the audited annual results for the year ended 31 December 2019 and the unaudited interim results for the six months ended 30 June 2020, and was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made;
- reviewed the accounting principles and practices adopted by our Group, and recommended the appointment of the external auditors; and
- assisted the Board in meeting its responsibilities for maintaining an effective system of internal control and risk management.

CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2020, two meetings were held by the Audit Committee. The attendance record of each member of the Audit Committee at the meetings of the Audit Committee is set out below:

Name of Director	Attendance/Number of Audit Committee meeting held during a Director's tenure
Ms. Liu Tao	2/2
Mr. Hu Rongen	2/2
Mr. Chen Baizhu	2/2

Nomination Committee

Our Company established a nomination committee with written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of members of the Board. The Nomination Committee consists of three members, namely, Mr. Zhou Xingzeng, Mr. Hu Rongen and Mr. Chen Baizhu. The chairman of the Nomination Committee is Mr. Zhou Xingzeng.

During the year ended 31 December 2020, the Nomination Committee mainly performed the following duties:

- reviewed the annual confirmations of independence submitted by the independent non-executive Directors and assessed their independence;
- reviewed the structure, size and composition of the Board during the year ended 31 December 2019 and whether the composition of the Board complied with the requirements of the Board Diversity Policy;
- reviewed the background of the retiring Directors and determined whether the retiring Directors continues to meet the criteria to be re-elected in the annual general meeting of our Company on 12 June 2020, and made commendations to the Board on the re-election of retiring Directors; and
- reviewed the background of and nominated Mr. Du Jusheng as the non-executive Director, Mr. Zhou Qiaoqi as the deputy chief executive officer of our Company and Mr. Zhou Yuhua as the deputy chief executive officer of our Company. Such nomination has been adopted by the Board.

During the year ended 31 December 2020, two meetings were held by the Nomination Committee. The attendance record of each member of the Nomination Committee at the meetings of the Nomination Committee is set out below:

Name of Director	Attendance/Number of Nomination Committee meeting held during a Director's tenure
Mr. Zhou Xingzeng	2/2
Mr. Hu Rongen	2/2
Mr. Chen Baizhu	2/2

CORPORATE GOVERNANCE REPORT

The Nomination Committee will identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships by considering factors including perspective, skills and experience that the individual can bring to the Board, and the contribution to diversity of the Board. And the Nomination Committee will make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive, taking into account our Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future, together with the Board, as appropriate.

Remuneration Committee

Our Company established a remuneration committee with written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on our Company's policy and structure concerning the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, to review and approve performance based remuneration by reference to corporate goals and objectives, to determine the terms of the specific remuneration package of each executive Director and senior management and to ensure none of the Directors determine their own remuneration. The Remuneration Committee consists of three members, namely Mr. Hu Rongen, Mr. Zheng Xiangzhan and Ms. Liu Tao. The chairman of the Remuneration Committee is Mr. Hu Rongen.

During the year ended 31 December 2020, the Remuneration Committee has mainly performed the following duties:

- reviewed our Group's remuneration policy and reviewed the remuneration package of the executive Directors and senior management for the Reporting Period;
- recommended to the Board the following change to the remuneration package of Mr. Shi Yinjie, an executive Director, with effect from 1 April 2020, after taking into account the market rates, his workload, performance, responsibility, job complexity and our Group's performance: an increase in the salary of Mr. Shi Yinjie under his service contract to RMB600,000 per year. Such recommendation has been adopted by the Board; and
- recommended to the Board the remuneration packages of Mr. Du Jusheng, a non-executive Director, Mr. Zhou Qiaoqi, the deputy chief executive officer of our Company and Mr. Zhou Yuhua, the deputy chief executive officer of our Company. Such recommendation has been adopted by the Board.

During the year ended 31 December 2020, two meetings were held by the Remuneration Committee. The attendance record of each member of the Remuneration Committee at the meetings of the Remuneration Committee is set out below:

Name of Director	Attendance/Number of Remuneration Committee meeting held during a Director's tenure
Mr. Hu Rongen	2/2
Mr. Zheng Xiangzhan	2/2
Ms. Liu Tao	2/2

CORPORATE GOVERNANCE REPORT

Remuneration of Directors and Senior Management

Details of the remuneration of each of the Directors and the five highest paid employees for the year ended 31 December 2020 are set out in notes 8 and 9 to the consolidated financial statements.

Details of the remuneration by band of the members of the senior management (other than the Directors) of our Company for the year ended 31 December 2020 are set out below:

Remuneration band	Number of individual
Nil to HK\$0.5 million	1
HK\$0.5 million to HK\$1 million	1
Above HK\$1 million	1

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors which includes:

- (a) to review and monitor our Company's policies and practices on compliance with legal and regulatory requirements;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;
- (d) to develop and review our Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters;
- (e) to review our Company's compliance with the CG Code and disclosure in the corporate governance report; and
- (f) to review and monitor our Company's compliance with our Company's whistleblowing policy.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2020 which give a true and fair view of the affairs of our Company and our Group and of our Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of our Company's financial statements, which are put to the Board for approval.

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

The statement by the auditor regarding their reporting responsibilities on the consolidated financial statements of our Company is set out in the section headed "Independent Auditor's Report" of this annual report.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate risk management and internal control systems and reviewing the effectiveness of such systems on an ongoing basis and annual basis.

The risk management and internal control systems of our Group are featured with a defined management structure with limits of authority and well-rounded policies and procedures, and are designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks, and to safeguard assets of our Group. Our Group's risk management and internal control systems are designed to provide reasonable, though not absolute, assurance against material misstatement or loss and to manage rather than eliminate the risk of failure to achieve business objectives.

The Board is responsible and has the general power to manage the operations of our University, and is in charge of managing the overall risks of our University. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures, such as our decision to expand our Group's school network into new geographic areas, to raise its tuition, and to enter into cooperative business relationships with third parties to launch new education programs. Also, our Group has made arrangements with banks to ensure that we are able to obtain credits to support our business operation and expansion.

Our Company has designated Mr. Zheng Xiangzhan who is responsible for monitoring our on-going compliance with the relevant PRC laws and regulations that govern the business operations and overseeing the implementation of any necessary measures. In addition, our Group plans to provide the Directors, senior management (including the principal and vice principals of our University) and employees involved with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance.

Our Company has established an internal audit department to carry out its internal audit functions by assisting the Board to implement our Group's risk management framework. The internal audit department is also required to review the continued connected transactions periodically and perform sampling inspections to ensure the internal control procedures were followed. The work of the internal audit department will be reviewed by the Audit Committee and the Board annually. Since the Listing, the Audit Committee, with reference to and based on the internal audit report issued by the internal audit department, conducted a review on the effectiveness of our Group's risk management and internal control systems, including financial, operational and compliance controls and risk management functions, adequacy of resources, qualifications and experience of staff of our Company's accounting, internal control and financial reporting functions, and training programmes and budget. The Board has considered and discussed the internal audit report issued by the internal audit department, the work conducted by the internal audit department and the independent auditor, the Audit Committee's view on our Group's risk management and internal control systems and their effectiveness. The Board and the Audit Committee are satisfied with the effectiveness and adequacy of the risk management and internal control of our Group.

In addition, the procedures on disclosure of inside information were in place to ensure that all relevant facts and circumstances that may have material effect on the share price of our Company are promptly assessed and that any material information which comes to the knowledge of any one or more officers of our Group is promptly identified, assessed and, if appropriate, escalated for the attention of the Board to determine whether a disclosure is required.

CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the auditors (Ernst & Young and other local auditors) to our Group during the year ended 31 December 2020 was approximately as follows:

Type of Services	Amount (RMB)
Audit services and review services ⁽¹⁾ provided by Ernst & Young	2,400,000
Audit services provided by other local auditors	720,000
Total	3,120,000

Note:

(1) Including fees for review of interim financial report. Save as review services, there were no other non-audit services.

JOINT COMPANY SECRETARIES

Mr. Zhou Qiaoqi (周喬琪), aged 33, was appointed as one of the joint company secretaries of our Company on 20 December 2018. For details of Mr. Zhou Qiaoqi, please see in the section headed “Director and Senior Management” of this annual report.

In order to ensure compliance with the Listing Rules, our Company has also engaged Mr. Wong Yu Kit, a vice president of SWCS Corporate Services Group (Hong Kong) Limited (an external service provider), as the other joint company secretary to assist Mr. Zhou Qiaoqi to discharge his duties. Mr. Wong Yu Kit's primary corporate contact person at our Company is Mr. Zhou Qiaoqi, the joint company secretary, deputy chief executive officer and chief investment officer of our Company.

For the year ended 31 December 2020, Mr. Zhou Qiaoqi and Mr. Wong have undertaken not less than 15 hours of relevant professional training respectively in compliance with rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

Our Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of our Group's business, performance and strategies. Our Company also recognizes the importance of timely and nonselective disclosure of information, which will enable Shareholders and investors to make the informed investment decisions.

The annual general meeting of our Company provides opportunity for the Shareholders to communicate directly with the Directors. The chairperson of the Board Committees of our Company will attend the annual general meetings to answer Shareholders' questions. The auditor will also attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, our Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between our Company and the Shareholders and maintains a website of our Company at www.genchedugroup.com, where up-to-date information on our Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of our Company and the Stock Exchange in a timely manner after each general meeting.

Convening of extraordinary general meeting and putting forward proposals

Shareholders may put forward proposals for consideration at a general meeting of our Company according to the Articles of Association. Any one or more members holding as at date of deposit of the requisition not less than one-tenth of the paid-up capital of our Company carrying the right of voting at general meetings of our Company shall at all times have the right, by written requisition to the Board or joint company secretaries of our Company, to require an extraordinary general meeting of our Company 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 our Company.

As regards proposing a person for election as a Director, the procedures are available on the website of our Company.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about our Company to the Board could send their enquiries to Mr. Zhou Qiaoqi, the joint company secretary of our Company at No. 1111, Huchenghuan Road, Pudong New Area, Shanghai, PRC.

CHANGE IN CONSTITUTIONAL DOCUMENTS

Our Company has adopted the amended and restated Memorandum and Articles of association of our Company on 19 December 2019, with the Memorandum of Association and the Articles of Association taking effect from 19 December 2019 and the Listing Date, respectively. There was no change in the memorandum and articles of association of our Company during the Reporting Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Our Group is delighted to publish our second environmental, social and governance report (the “Report”) with an aim to disclose our Group’s environmental, social and governance performance in relation to corporate social responsibility and sustainable development.

BASIS FOR PREPARATION

The Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”) as set out in Appendix 27 to the Listing Rules, the scope and content of which are also in compliance with the disclosure requirements of the “comply or explain” provisions in the Guide. In addition, the Report was also prepared under the disclosure requirements of the newly-revised Guide.

Our Group has observed and applied the four reporting principles, namely, materiality, quantitative, balance and consistency, set out in the Guide in the preparation of the Report. We have communicated with key stakeholders to understand their degree of concern on the environmental, social and governance issues relating to our business, in order to determine the framework and content of the Report and prioritise the disclosures based on the principle of materiality. The Report has adopted the principles of quantitative and consistency for the calculation. If there are any changes in the calculation method or any other relevant factors affecting a meaningful comparison in the future, we will clearly explain in the Report. Our reporting gives a view of our Group’s sustainable development performance during the Reporting Period in a balanced and impartial manner.

SCOPE OF THE REPORT

The Report focuses on disclosing our Group’s overall and quantitative sustainable development performance during the Reporting Period. Unless otherwise specified, the scope of the Report is consistent with that of our Group’s annual report for the year ended 31 December 2020, including our Company, Gench BVI, Gench HK, Gench US, Gench WFOE, Jian Qiao Group, Jian Qiao Investment, our University and Jian Qiao University Company.

SOURCE OF DATA

All the data and cases in the Report come from the statistics reports and relevant documents of our Group. Our Group warrants that there are no false representations or misleading statements in the Report, and is responsible for the truthfulness, accuracy and completeness of the contents herein.

APPROVAL OF AND ACCESS TO THE REPORT

The Report has been considered and approved for publication by the Board on 24 March 2021. The Report includes both Chinese and English versions. If there is any discrepancy, the Chinese version shall prevail. An electronic version of the Report is available at the section under the “Investors Relations” on the official website of our Company (www.genchedugroup.com).

OPINIONS AND FEEDBACK

We attach high importance to your opinions and feedback on the Report. If you have any queries or suggestions, please feel free to contact us through the following channels:

Address: 40th Floor, Dah Sing Financial Centre, No. 248 Queen’s Road East, Wan Chai, Hong Kong

E-mail address: ir@gench.edu.cn

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. RELEVANT HONOURS

Our University has been working hard in respect of ESG work and has achieved remarkable results in 2020. Our ESG-related honours obtained during the Reporting Period are as follows:

Name of award	Level of award	Awarding unit	Time of award
National Model Unit of Civilisation (Passing Review) (全國文明單位 (複查合格))	National level	Central Commission on Building Cultural and Ethical Civilisation (中央精神文明建設指導委員會)	November 2020
National Advanced Unit for Factory Affairs Disclosure and Democratic Management in 2020 (2020年全國廠務公開民主管理工作先進單位)	National level	All-China Federation of Trade Unions (全國總工會)	December 2020
Shanghai Garden Unit in the Years of 2018 to 2020 (2018–2020年度上海市花園單位)	Commission, office and bureau level	Shanghai Greening Committee (上海市綠化委員會)	January 2021
Shanghai Model School for Governing in Compliance with Laws (上海市依法治校示範校)	Commission, office and bureau level	Shanghai Municipal Education Commission (上海市教育委員會)	February 2020
Advanced Grass-root Organisation for League Affairs Work (盟務工作先進基層組織)	Commission, office and bureau level	China Democratic League Central Committee (中國民盟同盟中央委員會)	July 2020
Highly-skilled Talent Training Base in Shanghai (上海市高技能人才培訓基地)	Commission, office and bureau level	Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局)	December 2020
“Social Contribution Award for Children’s Health Care” in 2019 (2019年度“關愛兒童健康社會公益獎”)	/	Shanghai Children’s Health Foundation (上海市兒童健康基金會)	June 2020

2. SUSTAINABLE DEVELOPMENT PLAN

2.1 FOURTEENTH FIVE-YEAR PLAN

This plan was formulated in accordance with the Outline of the Fourteenth Five-Year Plan for the National Economic and Social Development in Shanghai, the Education Modernisation in Shanghai by 2035, the Fourteenth Five-Year Plan for Educational Reform and Development in Shanghai, and the Plan for the Construction of a National Core Area for Pilot Integration of Industry and Education in Lingang New Area of China (Shanghai) Pilot Free Trade Zone. This plan will also serve as an important programmatic document in the formulation of sustainable development management policies and strategies by our Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. Goal of Development

Fourteenth Five-Year Goal: Through integration, internationalisation and informatisation strategies, we will endeavour to smoothly pass a new round of undergraduate education and teaching appraisal organised by the Ministry of Education and to continue topping the private universities and colleges in the appraisal of universities and colleges in Shanghai by category, thereby becoming a first-class private university in China by the end of the Fourteenth Five-Year.

II. Positioning of Development

- **Positioning in education level:** We will insist on the education positioning of a university of applied technology to carry out multi-level education which is based on applied undergraduate education and also covers higher vocational, undergraduate and professional master's degree.
- **Positioning in talent cultivation:** We will insist on cultivating innovative, versatile and high-quality applied technical talents with international visions.
- **Positioning in service orientation:** Integrating with Lingang, keeping a foothold in Pudong, serving Shanghai and radiating the Yangtze River Delta.
- **Positioning in social role:** We will place emphasis on both environmental protection and social welfare with the sustainable development of mankind as the objective.

III. Key Development Tasks

- Constructing a green campus and office
- Safeguarding health and safety of staff and students
- Constructing a smart campus
- Improving overall quality of students
- Promoting international cooperation and industry-teaching integration
- Advancing community development and participating in charity
- Compliance operation
- Establishing a reasonable HR management mechanism

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3. SUSTAINABLE DEVELOPMENT GOVERNANCE

STATEMENT OF THE BOARD

Our Group has established a sustainable development governance structure to strengthen our management of sustainable development. The Board is responsible for the overall supervision of the sustainable development of our Group, and conducts regular discussion, review and check on our Group's management approach, strategies, risks, performance and progress in respect of environmental, social and governance aspects. In order to exert the effectiveness of sustainable development governance effectively, the Board has allowed our Group to set up an Environmental, Social and Governance Working Group and authorised it to supervise and promote the implementation of various environmental, social and governance issues. Under the authority of the Board, the Environmental, Social and Governance Working Group will consider the opinions collected during the communication with various stakeholders and the results of the materiality assessment when formulating the environmental, social and governance management approach and strategies, to determine our Group's sustainable development focus and priorities, and submit the same for approval and confirmation by the Board. In the future, we will review the progress based on our Group's goals relating to environment, sociality and governance to monitor and improve the work of sustainable development.

3.1 ORGANISATION STRUCTURE

Our Group's sustainable development governance structure builds on good corporate governance and strict ethical standards.



I. Board

The Board listens to material issues of sustainable development reported by the Environmental, Social and Governance Working Group and fulfilment progress of relevant targets at the Board meeting and monitors the performance and progress of our Group's sustainable development. The Board is also responsible for monitoring our risk management, regularly identifying and analysing various risks in business operations, and reviewing management procedures, and keeping the summary in the enterprise risk register for review by the Audit Committee.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. Environmental, Social and Governance Working Group

Our Group's Environmental, Social and Governance Working Group is chaired by our deputy chief executive officer, Mr. Wang Bangyong. Other members comprise our senior management and middle level management from departments to ensure employees with different backgrounds and varying levels of expertise, seniority and business functions are incorporated. We have developed a rational performance assessment system to actively encourage our employees to take part in our Group's sustainable development initiatives.

The Environmental, Social and Governance Working Group reports relevant material sustainable development matters to the Board on a regular basis via the chairman, and also reviews the fulfilment of our Group's performance in terms of our goals relating to environment, sociality and governance and the feasibility of the sustainable development initiatives that have been recommended by the person-in-charge of each functional department via the Sustainable Development Communication and Engagement Committee.

III. Sustainable Development Communication and Engagement Committee

The Sustainable Development Communication and Engagement Committee is responsible for identifying and prioritising the communication relating to environment, society and governance and engagement plans and overseeing the implementation thereof. Members of the Sustainable Development Communication and Engagement Committee are composed of representatives from different departments within our Company.

3.2 BUSINESS INTEGRATION AND BUDGETING

In addition, our Group has integrated sustainable development initiatives into the decision-making at functional level of Shanghai Jian Qiao University under our Group. The logistics and security office, assets management office and other departments of our University have also incorporated sustainable development strategy into their annual budgets, for which the Board is willing to provide funds and resources to the Environmental, Social and Governance Working Group, and submitted proposed budget allocations to the Environmental, Social and Governance Working Group via the Sustainable Development Communication and Engagement Committee.

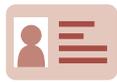
3.3 RISK MANAGEMENT

In 2020, we conducted a “top-down, bottom-up and all levels combined” risk identification exercise, as led by the quality and planning office of our University and facilitated by an external consultant. By doing this, new risk areas were identified for further consideration and evaluation of their impacts on our business, whilst existing risks were also analysed from a new perspective.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.4 CORPORATE SUSTAINABLE DEVELOPMENT POLICY

In addition to extensive development of our education cause, our Group also actively fulfils its corporate social responsibilities. During the Reporting Period, as guided by the Fourteenth Five-Year plan, we have improved and published the Corporate Sustainable Development Policy to guide our Company's business operations.

 Corporate Sustainable Development Policy	 Internal Control Manual for Risks to Anti-corruption Governance	 Various Health and Safety Management Measures	 School Information Security Management Measures
 Patent Management Measures	 Management Measures for Students' Assessment on Teachers	 Administrative Measures for Handling Opinions and Complaints	 Supplier Management Procedures
 Various Management Measures on Human Resources	 Various Implementation Measures on Teachers' Trainings	 Various Implementation Measures on Energy Saving and Emissions Reduction	 Safety Management Rules on Prevention of Flood and Typhoon

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.5 STAKEHOLDER ENGAGEMENT

It is an integral part of our daily operations to communicate with various stakeholders and promote their participation in sustainable development governance. Our Group regularly engages with its stakeholders in appropriate ways so that we can understand their expectations and demands and actively respond to their concerns through our operations in respect of the environment, society and governance. Stakeholder groups and their methods of engagement are as follows:



Shareholders/investors

- Annual general meeting and other general meetings
- Interim and annual reports
- Corporate communication
- Results announcement
- Shareholder visit programmes
- Investor meetings
- Environmental, social and governance meetings



Business partners

- Strategic cooperation projects
- Exchange activities
- Meetings
- Visits



Communities and nongovernmental organisations

- Community activities
- Volunteer activities
- Donations
- Education funds/scholarships
- Seminars/lectures/workshops
- Meetings



Suppliers

- Supplier management procedures
- Supplier/contractor appraisal system
- Field inspections
- Meetings



Teachers and other employees

- Survey on employees' views (forms and suggestion boxes)
- Work performance appraisals and interviews
- Group discussions
- Meetings and interviews
- Seminars/workshops/lectures
- Volunteer activities



Students and parents

- Feedback in class
- Satisfaction questionnaire
- Regular visits
- Parent meetings
- Online platforms
- Phone calls and mailboxes



Governments and regulators

- Meetings
- Consulting
- Lectures



Public

- School website
- School activities
- Media reports
- WeChat official accounts



Alumni

- School website
- School alumni activities
- Media reports



Industry associations

- Organisation of industry activities
- Consulting
- Lectures
- School visits

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

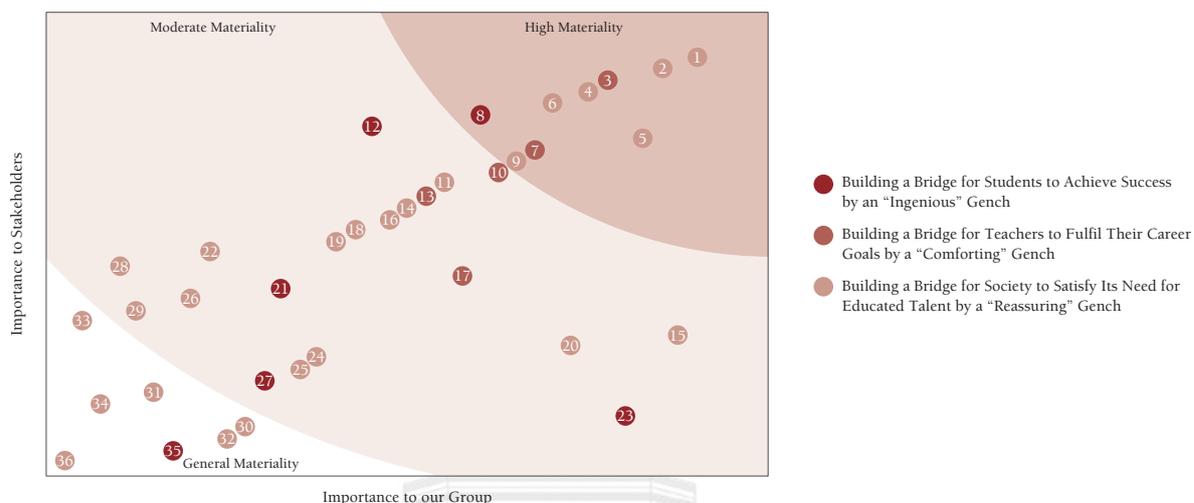
3.6 MATERIALITY ASSESSMENT AND ANALYSIS

I. *Material Issues on Sustainable Development*

For the purposes of our Group and our Report, materiality is defined as any factor that has a present or future impact on our ability to achieve our sustainable development vision. We have conducted a materiality assessment to identify the most material ESG issues while maintaining regular communications with our stakeholders. The steps of our materiality assessment during the Reporting Period are as follows:

- 1. Identifying key stakeholders and material ESG issues**
 - We identified our key stakeholders and 36 material ESG issues through consultation with our external consultant and analysis of business operations, development strategy and planning
- 2. Stakeholder engagement**
 - In 2020, we conducted online questionnaires, interviews and communications with over 150 stakeholders to understand their concerns and expectations on our Group in respect of the environment, society and governance
- 3. Ranking material ESG issues**
 - By quantitative analysis and prioritising of various ESG issues shown in the results of surveys on our stakeholders, we identified 9 issues of high materiality, 20 issues of moderate materiality and 7 issues of general materiality
- 4. Confirmation by the management of our Group**
 - The analysis results of material ESG issues were submitted to the Board of our Group for discussions on the demands highly concerned by our stakeholders and adjustments to our sustainable development strategy and management policy as appropriate

II. *Materiality Matrix for ESG Issues*



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG issues of high materiality		Responding sections
1	Health and safety assurance for students	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
2	Epidemic-related control measures	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
3	Nurturing virtues of teachers	Building a Bridge for Teachers to Fulfil Their Career Goals by a “Comforting” Gench
4	Testing and assessment results	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
5	Anti-epidemic inspections in office areas	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
6	Health and safety assurance for staff	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
7	Teaching team management	Building a Bridge for Teachers to Fulfil Their Career Goals by a “Comforting” Gench
8	Educational philosophy and goal	Building a Bridge for Students to Achieve Success by an “Ingenious” Gench
9	Compliance operation and integrity	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench

ESG issues of moderate materiality		Responding sections
10	Equal employment system	Building a Bridge for Teachers to Fulfil Their Career Goals by a “Comforting” Gench
11	Mental health consultation and assistance	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
12	Teaching quality control and management	Building a Bridge for Students to Achieve Success by an “Ingenious” Gench
13	Employment interests and benefits	Building a Bridge for Teachers to Fulfil Their Career Goals by a “Comforting” Gench
14	Protection of student and parent privacy	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
15	Real-time update on emergency response plan	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
16	Communication with students and parents and handling of complaints	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
17	Staff training and development	Building a Bridge for Teachers to Fulfil Their Career Goals by a “Comforting” Gench
18	Environmental education on staff and students	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
19	Protection of intellectual property rights	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG issues of moderate materiality		Responding sections
20	Staff support and assistance	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
21	Smart campus	Building a Bridge for Students to Achieve Success by an “Ingenious” Gench
22	Responsible procurement	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
23	Employment rate of graduates	Building a Bridge for Students to Achieve Success by an “Ingenious” Gench
24	Green campus and office	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
25	Student satisfaction	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
26	Energy consumption and efficiency	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
27	Teaching resources	Building a Bridge for Students to Achieve Success by an “Ingenious” Gench
28	Waste management	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
29	Pollution and emission reduction	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
ESG issues of general materiality		Responding sections
30	Participation in public welfare and charity	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
31	Utilisation of resources and materials	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
32	Community care	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
33	Water consumption and efficiency	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
34	Greenhouse gas emissions and management	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench
35	Innovative teaching and research system	Building a Bridge for Students to Achieve Success by an “Ingenious” Gench
36	Combating climate change	Building a Bridge for Society to Satisfy Its Need for Educated Talents by a “Reassuring” Gench

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. BUILDING A BRIDGE FOR STUDENTS TO ACHIEVE SUCCESS BY AN “INGENIOUS” GENCH

PRESENTATION OF HONOURS OF OUR STUDENTS

By virtue of our excellent educational philosophy and rich teaching resources, our students have won many honours and awards at national level, regional level and municipal level in 2020, and major awards are as follows:

Name of award	Level of competition	Level of award	Organiser	Time of award
China Collegiate Computing Competition — 2020 WeChat Mini Application Development Competition (中國高校計算機大賽—2020微信小程序應用開發賽)	National level	third prize, etc.	National Computing Education and Research Association of Higher Education Institutions* (全國高等學校計算機教育研究會)	August 2020
2020 China Competition of Creative Packaging Design (2020中國包裝創意設計大賽)	National level	3 second prizes, 12 third prizes and 18 outstanding awards	China Packaging Federation (中國包裝聯合會)	August 2020
Twelfth Advertising Art Design Competition for College Students (第12屆大學生廣告藝術大賽)	National level	third prize and outstanding award	Specialised Committee for Advertising Education of China Association of Higher Education* (中國高等教育學會廣告教育專業委員會)	September 2020
National Machinery Qualifying Match (Industry 4.0) of the First National Skills Competition of the World Skills Competition (第一屆全國技能大賽世賽項目全國機械行業選拔賽工業4.0)	National level	2 third prizes	Machinery Association (機械行業協會)	September 2020
Eighth National College Digital Art & Design Awards (第八屆全國高校數字藝術設計大賽NCDA)	National level	2 first prizes, 5 second prizes and 5 third prizes	Talent Exchange Centre of Ministry of Industry and Information Technology	September 2020
2020 Tenth Contest for International Trade Major of Business Elites Challenge of Chinese Higher Education Institutions (2020年第十屆全國高校商業精英挑戰賽國際貿易競賽)	National level	3 first prizes	China Council for the Promotion of International Trade Commercial Sub-Council (中國國際貿易促進委員會商業行業委員會)	October 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Name of award	Level of competition	Level of award	Organiser	Time of award
2020 National English Competition for College Students (NECCS)	National level	3 first prizes, 16 second prizes and 26 third prizes	National Foreign Languages Teaching Advisory Board of higher education institutions under the Ministry of Education (教育部高等學校大學外語教學指導委員會) and National Foreign Languages Teaching and Research Association of higher education institutions# (高等學校大學外語教學研究會)	November 2020
Sixth China College Students “Internet Plus” Innovation and Entrepreneurship Competition (National Competition) (第六屆中國“互聯網+”大學生創新創業大賽國賽)	National level	Silver prize	Ministry of Education	November 2020
Eleventh Contest of “Lan Qiao Cup” (第十一屆“藍橋杯”大賽)	National level	1 second prize, 6 third prizes and 3 outstanding awards	Ministry of Industry and Information Technology	November 2020
2020 China College Students Mechanical Engineering Innovation and Originality Competition — Third Intelligent Manufacturing Competition (2020中國大學生機械工程創新創意大賽 — 第三屆智能製造大賽)	National level	second place	Chinese Mechanical Engineering Society	November 2020
2020 National Occupational Skills Competition of Industry — National AI Application Technology Skills Competition (2020年全國行業職業技能競賽 — 全國人工智能應用技術技能大賽)	National level	third prize	Ministry of Human Resources and Social Security and China Machinery Industry Federation	November 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Name of award	Level of competition	Level of award	Organiser	Time of award
Online Sports Dance Competition for Chinese College Students (中國大學生體育舞蹈在線比賽)	National level	fourth place, sixth place and 2 eighth places	Federation of University Sports of China (中國大學生體育協會) and China University DanceSport Association (中國大學生體育協會體育舞蹈分會)	November 2020
2020 Chinese Mathematics Competitions (2020年全國大學生數學競賽)	National level	2 third prizes	China Society for Industrial and Applied Mathematics	December 2020
“Jewellery Processing” Category of the First Occupational Skills Competition of the People’s Republic of China (中華人民共和國第一屆職業技能大賽“珠寶加工”項目)	National level	outstanding award	Ministry of Human Resources and Social Security of the People’s Republic of China	December 2020
China Collegiate Computing Competition — 2020 WeChat Mini Application Development Competition (East China Zone) (中國高校計算機大賽-2020微信小程序應用開發賽華東賽區)	East China Region	first prize	National Computing Education and Research Association of Higher Education Institutions# (全國高等學校計算機教育研究會)	July 2020
Eighth National College Digital Art & Design Awards (East China Zone) (第八屆全國高校數字藝術設計大賽 NCDA華東賽區)	East China Region	4 first prizes, 17 second prizes and 33 third prizes	Talent Exchange Centre of Ministry of Industry and Information Technology	September 2020
2020 (Twelfth) Shanghai University Student Computer Application Ability Competition (2020年(第十二屆)上海市大學生計算機應用能力大賽)	Municipal level	10 second prizes, 15 third prizes and 3 winning awards	Shanghai Municipal Education Commission (上海市教委)	June 2020
2020 Tenth National University Students E-Commerce Innovation Competition Shanghai Zone (2020年第十屆全國大學生電子商務“創新、創意及創業”挑戰賽上海賽區)	Municipal level	2 winning awards	Shanghai Municipal Education Commission (上海市教委)	July 2020
Fifth “Hui Chuang Qing Chun” (第五屆“匯創青春”)	Municipal level	10 first prizes, 16 second prizes and 35 third prizes	Shanghai Municipal Education Commission (上海市教委)	August 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Name of award	Level of competition	Level of award	Organiser	Time of award
Twelfth Advertising Art Design Competition for College Students (Shanghai Zone) (第12屆大學生廣告藝術大賽(上海賽區))	Municipal level	1 first prize, 6 second prizes, 11 third prizes and 13 winning awards	Shanghai Municipal Education Commission (上海市教委)	September 2020
Sixth China College Students "Internet Plus" Innovation and Entrepreneurship Competition Shanghai Zone (第六屆中國“互聯網+”大學生創新創業大賽上海賽區)	Municipal level	1 gold prize, 1 bronze prize, 1 best employment-driven award and 9 winning awards	Shanghai Municipal Education Commission (上海市教委)	September 2020
2020 Contest for International Trade Major of Shanghai University Business Challenge (2020年上海市高校商業精英挑戰賽國際貿易專業競賽)	Municipal level	1 second prize and 2 third prizes	China Council for the Promotion of International Trade Commercial Sub-Council (中國國際貿易促進委員會商業行業委員會)	September 2020
46th World Skills Competition Shanghai Regional Competition (Industry 4.0 Project) (46屆世界技能大賽上海市選拔賽(工業4.0專案))	Municipal level	second place	China Machinery Industry Federation	September 2020
Online Sports Dance Competition of the Sunshine Sports League in Shanghai (Higher Education Institution Group) (上海市陽光體育大聯賽在線體育舞蹈比賽(高校組))	Municipal level	first place, second place, fifth place and 2 seventh places	Shanghai Municipal Education Commission (上海市教育委員會), Shanghai Municipal Sports Bureau (上海市體育局) and Communist Youth League Shanghai Committee (共青團上海市委員會)	October 2020
Fifth National Industrial Design Competition (Shanghai Zone) (第五屆全國工業設計大賽上海分賽區)	Municipal level	2 second prizes and 9 third prizes	Shanghai Municipal Education Commission (上海市教委)	October 2020
Tenth "Shang Tu Cup" CAD and Innovative Design Competition (第十屆“上圖杯”先進成圖技術與創新設計大賽)	Municipal level	1 first prize and 12 second prizes	Shanghai Municipal Education Commission (上海市教委)	November 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Name of award	Level of competition	Level of award	Organiser	Time of award
Eleventh Contest of "Lan Qiao Cup" Shanghai Zone (第十一屆“藍橋杯”大賽上海賽區)	Municipal level	4 first prizes, 5 second prizes and 21 third prizes	Ministry of Industry and Information Technology	November 2020
2020 Shanghai Seventh and National College Students Business Decision Simulation Contest (2020年上海市第七屆暨全國大學生創業決策模擬大賽)	Municipal level	3 first prizes, 21 second prizes and 7 third prizes	Shanghai Municipal Education Commission (上海市教委)	November 2020
2020 Second "Four Brands" Occupational Skills Competition of Shanghai (2020年上海市第二屆“四大品牌”職業技能大賽)	Municipal level	1 first prize, 5 third prizes and 2 winning awards	Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局)	November 2020
Ninth University Student Mechanical Engineering Innovation Competition of Shanghai (National University Student Mechanical Innovative Design Competition Shanghai Zone) (第九屆上海市大學生機械工程創新大賽(全國大學生機械創新設計大賽上海賽區))	Municipal level	4 second prizes and 1 winning award	Shanghai Municipal Education Commission (上海市教委)	November 2020
2020 TI Cup Undergraduate Electronics Design Contest of Shanghai (2020年TI杯上海市大學生電子設計競賽)	Municipal level	3 second prizes and 3 third prizes	Shanghai Municipal Education Commission (上海市教委)	November 2020
2020 China College Students Mechanical Engineering Innovation and Originality Competition — Third Intelligent Manufacturing Competition (Shanghai Zone) (2020中國大學生機械工程創新創意大賽—第三屆智能製造大賽(上海賽區))	Municipal level	third prize	Chinese Mechanical Engineering Society	November 2020
Online 3-on-3 Basketball Skills Competition of Sunshine Sports League for Students in Shanghai for 2020 (2020年上海市學生陽光體育大聯賽三對三籃球技能在線比賽)	Municipal level	third prize	Shanghai Municipal Education Commission (上海市教委) and Shanghai Municipal Sports Bureau (上海市體育局)	November 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Name of award	Level of competition	Level of award	Organiser	Time of award
2020 National University Students Mathematic Modeling Contest Shanghai Zone (2020年全國大學生數學建模競賽上海賽區)	Municipal level	2 third prizes	China Society for Industrial and Applied Mathematics and Organising Committee of National University Students Mathematic Modeling Contest (全國大學生數學建模競賽組委會)	December 2020
2020 University Student Network Security Tournament and the Sixth Shanghai University Student Network Security Competition (2020年大學生網絡安全邀請賽暨第六屆上海市大學生網絡安全大賽)	Municipal level	third prize	Shanghai Municipal Education Commission (上海市教委)	December 2020

4.1 EXCELLENT EDUCATIONAL PHILOSOPHY

Shanghai Jian Qiao University under our Group takes “Thanksgiving, Return, Loving, Responsibility” as its motto, and “building bridges for students to achieve success, for teachers to fulfil their career goals, and for society to satisfy its need for educated talents (為學生建成才之橋，為教師建立業之橋，為社會建育人之橋)” as its mission. With the quality policy of “People-oriented, Moral Education Prioritised, Law-Abiding, Strict Management”, our University provides students with quality education centering on applied talent cultivation. Our University has implemented the Follow-up and Improvement Measures on Quality of Professional Cultivation. We center on the target of applied talent cultivation to actively adapt to the needs of local economic development, and conduct broad market survey to determine demand in the job market. We strive to construct an ability-based and results-oriented talent cultivation model, continue to promote education and teaching reform and make available more paths and possibilities for student growth, thereby cultivating high-quality applied technical talents featured by “employment upon graduation, quick adaptability to positions and sustainable development” for the regional economic and social development.

Our University maintains a focus on applied undergraduate education, to explore the multi-level education of higher vocational — undergraduate — professional master’s degree and cultivate high-quality applied technology specialists with good moral cultivation, solid theoretical foundation, strong practical ability, and innovative spirit and international vision who are engaged in the front-line work of production, construction, management and service. Relying on the industrial development and social development needs of Pudong New Area, especially the Lingang New Area, and focusing on key areas such as intelligent manufacturing, modern services, culture and creativity, we strive to establish 8 professional clusters which are closely connected to the Lingang industrial chain, including the intelligent manufacturing professional cluster, ICT professional cluster, finance/trade/logistics professional cluster, leisure service professional cluster, aviation service professional cluster, jewelry/new media and creative design professional cluster, applied foreign language professional cluster and modern livelihood service professional cluster.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Our University takes the initiative to adapt to the national opening-up strategy, and actively promotes the international education to broaden the students' international horizons. Our University is the first private university in Shanghai to obtain the admission qualification for international students, and is also listed as a university supported by Shanghai government scholarship for international students. Our University has developed close cooperation and exchanges with many overseas universities, covering business, mechatronics, information, art, design, jewelry, language and other professional fields. Moreover, our University has formulated relevant management measures to ensure the orderly progress of all programmes with remarkable results, and has formed a relatively vivid and active atmosphere of international exchange and cooperation.

4.2 RICH TEACHING RESOURCES

Our University has a site area of 533,000 sq.m., with a gross floor area of approximately 424,000 sq.m.. It has (i) 173 multimedia classrooms, 18 voice classrooms and a high-quality recording classroom; (ii) nine experimental centres including economic and trade management experimental centre, mechanical and electrical engineering experimental centre, language experimental centre, journalism and communications experimental centre, information technology experimental centre, art creation and design centre, gemology experimental centre, nursing experimental training centre and university computing centre, and 174 different laboratories; (iii) a large integrated gymnasium, a track field, a football field, a basketball court, a tennis court, a volleyball court, a golf practicing area and so on. Through years of construction, our University has achieved full wireless network coverage, and has successively built informatisation platforms, such as scientific research management information system, personnel management system, teaching management system, library management system, academic work management system, card management system and logistics service system, to build a digital campus. The library has a collection of over 1,580,000 printed books and 262,000 e-books with 60 various databases.

4.3 STRICT QUALITY MANAGEMENT

The construction of the quality assurance system is the key to the cultivation of talents in colleges and universities. As such, our University has always taken quality construction as an important support to achieve endogenous development, and has comprehensively implemented the ISO9001 quality management system as certified by Shanghai Audit Centre of Quality System.

Under the ISO9001 quality management system framework, our University has established an effective teaching quality assurance system and formulated quality standards for all aspects of teaching and the important principles of the quality management system. We further interpreted the process-based management — PDCA as a management mechanism of ex-ante prevention, progressing monitoring and post feedback for improvement, forming a mechanism of self-discovery, self-correction and self-improvement. Our University has built a quality assurance system for undergraduate teaching with multi-departmental collaboration at university and colleges and deep involvement of third-party assessment. According to the process of “standard — implementation — checking — evaluation — feedback — improvement”, our University has gradually formed a multi-level and multi-dimensional cycling quality monitoring system to ensure the quality of every aspect of talent cultivation through various quality management efforts, such as Excellent Gench Programme (卓越建橋計劃), Secondary College KPI Management Examination, internal/external review of professional standard assessments, Mycos third-party research, internal/external teaching supervision, classroom observation by middle management, student information feedback, identification and handling of teaching accidents, etc.

4.4 OPEN FOREIGN EXCHANGES

Our University has facilitated the high-quality cooperative programmes with overseas high-quality colleges and universities in an active and steady manner. Moreover, it has established the international education institute as a physical college for integration and advancement of the international cooperative programmes, covering the United States, France, Germany, England, Japan and other countries.

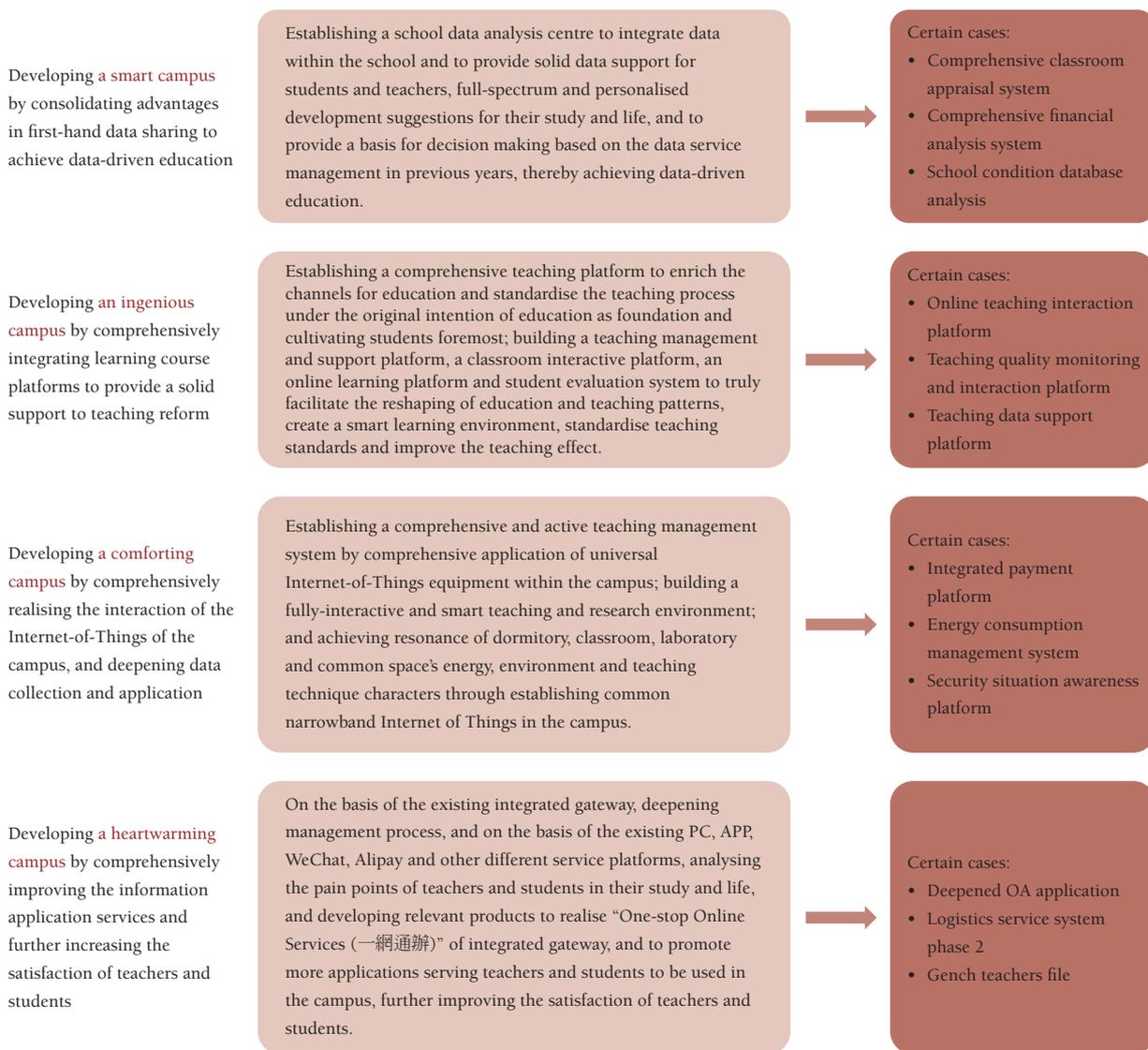
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4.5 CAMPUS INFORMATISATION CONSTRUCTION

I. Overview

Our University gradually realised the in-depth integration of information technology and whole education and teaching process and the in-depth integration of school management and whole decision-making process, and formed an information system adapting to its development goal.

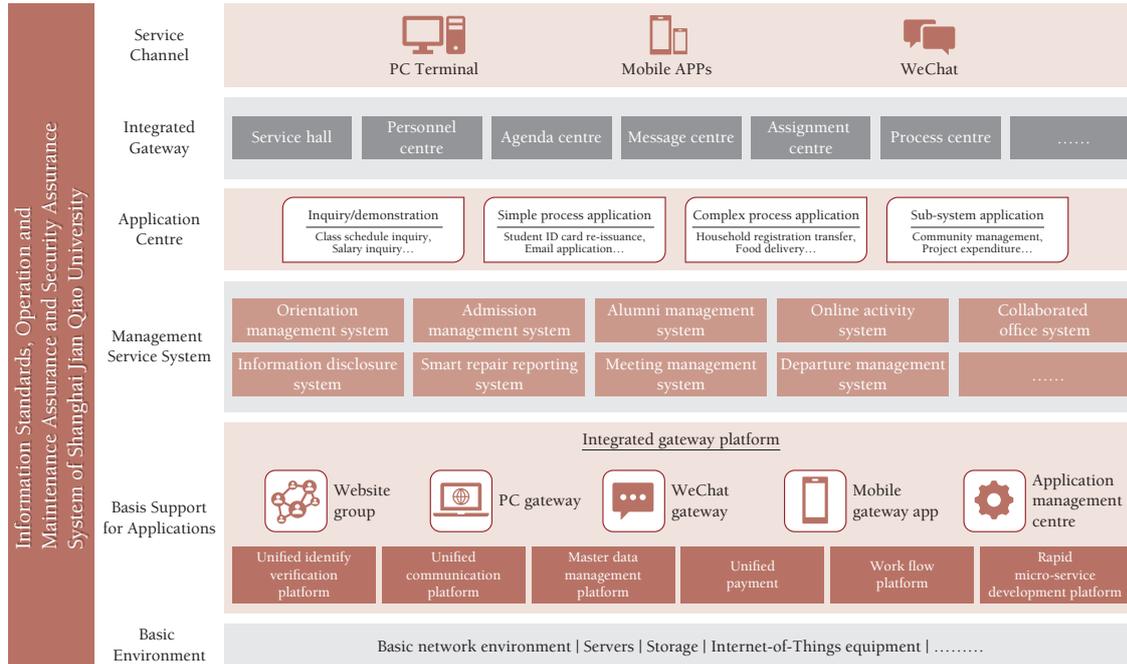
Major measures:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. Results of Construction

Since 2007, our University has commenced its comprehensive informatisation construction from consolidating fundamental hardware facilities to achieving establishment of an information system and achieving data sharing. After 13 years of construction, our University has accumulated effective practical experience and leading technical support for future work.



Overall Informatisation Construction Framework of Shanghai Jian Qiao University

(1) System and Data Integration

As to system integration, our University has selected, based on its development needs, 78 cross-department collaboration procedures from its business systems for system data exchange and service integration, thereby developing a comprehensive information platform of “unified entrance, unified information, unified message, unified affairs and unified research”. As to data integration, the public database platform and unified data standards guarantee the accuracy, completeness and time-efficiency of data, and achieve cross-system data sharing and exchange. At present, our University has completed data exchange of its 36 business systems.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(2) Establishment of a Service-oriented Platform

Our University is committed to the provision of seamless services through informatisation. In particular, it has provided teachers and students with comprehensive, multi-end and one-stop personalised service experience by way of light applications, including WeChat, APP, Alipay and PC terminal, thereby achieving seamless services to them. Teachers and students may proceed with finance, teaching, scientific research, academic work, logistics and other business online as shown in the pictures below.



Seamless Connection of PC Terminal and Light Applications
(according to data as of 31 December 2020)



(3) Data Collection and Analysis

With financial management system and asset management system at the core, and supported by human resources management system, student management system, teaching management system and scientific research management system, our University has focused on establishing a comprehensive teacher appraisal system, school teaching condition database and comprehensive school decision-making system. By sharing database and each business system data, it reflected the normal of teaching, presented the work process and performance of teachers in a timely manner, and conducted a comprehensive evaluation on basic qualities, duty performance and work performance of teachers. Meanwhile, our University has built its data prediction ability. Based on the cyclicity of historical data, it predicts the future and makes corresponding proposals in advance, to provide solid data support for decisions to be made by the leaders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III. Expansion of Experience

Our University has achieved remarkable results in informatisation work. In particular, it was awarded the “National Model Unit for Excellent Logistics Informatisation Construction Work of Higher Education Institutions (全國高校後勤信息化建設工作優秀示範單位)” in 2015, and was commissioned by Shanghai Municipal Education Commission (上海市教委) to undertake the compilation of the Guidance on Logistics Informatisation Construction and Application of Higher Education Institutions in Shanghai. Our University has successively participated in the conference on the establishment of specialised informatisation committees in Zhengzhou, Suzhou, Xi’an, etc. for 13 times, and made exchanges as a model unit. In addition, our University has participated in the logistics internet conference of higher education institutions held by the National Specialised Committee for Logistics Informatisation (全國後勤信息化專業委員會) as a keynote speaker for three consecutive years.

5. BUILDING A BRIDGE FOR TEACHERS TO FULFIL THEIR CAREER GOALS BY A “COMFORTING” GENCH

Honours of Teachers

In the context of our Group’s vigorous employment standards, the considerate employee care and comprehensive training system we provide have stimulated employees’ enthusiasm for work and enhanced their work abilities, which enables our employees to win numerous honours and awards every year. The major awards received by the staff of our University in 2020 are set out in the table below:

Name of award	Name of teacher	Level of award	Awarding unit	Time of award
2020 National grand prize and national second prize at the “Teaching Star” Repechage and Semi-finals organised by Foreign Language Teaching and Research Press	Kong Hui, Zhuang Ganlin, Tang Na and Wang Shuqin	National level	Foreign Language Teaching and Research Press	August 2020
“Eighth National College Digital Art & Design Awards Ceremony in 2020” — Third Prize	Tian Tain and Ye Mingwei	National level	Talent Exchange Centre of Ministry of Industry and Information Technology	September 2020
Third Prize at the “2020 Fifth National College English Teacher Teaching Basic Skills Competition” (“2020年第五屆全國高等院校英語教師教學基本功大賽”三等獎)	Kong Hui, Tang Na and Wang Shuqin	National level	The College English Teaching and Research Association of China (高等學校大學外語教學研究會) and Foreign Language Teaching and Research Cooperation Group of National Normal Colleges (全國高等師範院校外語教學與研究協作組)	November 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Name of award	Name of teacher	Level of award	Awarding unit	Time of award
Excellent prize at the “2020 Second Teaching Skills Competition for Teachers from Private Higher Education Institutions in the Yangtze River Delta Region” (“2020第二屆長三角地區民辦高校教師教學技能大賽”優勝獎)	Zhu Yu	Yangtze River Delta (Shanghai, Jiangsu, Zhejiang and Anhui)	Shanghai Municipal Education Commission (上海市教育委員會), Education Department of Jiangsu, Education Department of Zhejiang and Education Department of Anhui	November 2020
Third prize at the “2020 Second Teaching Skills Competition for Teachers from Private Higher Education Institutions in the Yangtze River Delta Region” (“2020年第二屆長三角地區民辦高校教師教學技能大賽”三等獎)	Sun Wenbo	“Yangtze River Delta” (Shanghai, Jiangsu, Zhejiang and Anhui)	Shanghai Municipal Education Commission (上海市教育委員會), Education Department of Jiangsu, Education Department of Zhejiang and Education Department of Anhui	November 2020
Third prize at “2020 Second Smart Teaching Competition for Teachers from Normal Universities and Colleges in the Yangtze River Delta Region” (“2020年第二屆長三角師範院校教師智慧教學大賽”三等獎)	Zhang Ke	Yangtze River Delta (Shanghai, Jiangsu, Zhejiang and Anhui)	Shanghai Municipal Education Commission (上海市教育委員會), Education Department of Jiangsu, Education Department of Zhejiang and Education Department of Anhui	December 2020
Third prize at the “2020 Fourth Teaching Competition for Young Teachers in Shanghai Universities” (“2020年第四屆上海高校青年教師教學競賽三等獎”)	Liu Erse	Shanghai municipal level	Shanghai Municipal Education Commission (上海市教育委員會)	July 2020
Second prize at the “Teaching Competition for Young Teachers of Art and Design in Shanghai Universities in 2020” (“2020年上海高校藝術與設計類青年教師教學競賽二等獎”)	Wang Zhiqing	Shanghai municipal level	Shanghai Teacher’s Union and Shanghai Art Education Commission (上海市藝術教育委員會)	November 2020
Excellence Award at the “Teaching Competition for Young Teachers of Art and Design in Shanghai Universities in 2020” (2020年上海高校藝術與設計類青年教師教學競賽)	Niu Xiangnan, Tian Tian and Ma Lin	Shanghai municipal level	Shanghai Teacher’s Union and Shanghai Art Education Commission (上海市藝術教育委員會)	November 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Name of award	Name of teacher	Level of award	Awarding unit	Time of award
Third prize at the “Teaching Competition for Young Teachers of Art and Design in Shanghai Universities in 2020” (“2020年上海高校藝術與設計類青年教師教學競賽三等獎”)	Zhu Yahui	Shanghai municipal level	Shanghai Teacher’s Union and Shanghai Art Education Commission (上海市藝術教育委員會)	November 2020
Second prize in “Class Demonstration” Natural Science Group at the “Class Demonstration and ‘Demonstration of Majors’ Competition in Private Colleges and Universities in Shanghai in 2020” (“2020年上海市民辦高校“說課”“說專業”競賽“說課”自科組二等獎”)	Xu Yafen	Shanghai municipal level	Shanghai Association for Non-government Education	December 2020
Second prize in “Class Demonstration” Humanities and Social Sciences Group at the “Class Demonstration and ‘Demonstration of Majors’ Competition in Private Colleges and Universities in Shanghai in 2020” (“2020年上海市民辦高校“說課”“說專業”競賽“說課”人文社科組二等獎”)	Gao Feng	Shanghai municipal level	Shanghai Association for Non-government Education	December 2020
Second prize in “Demonstration of Majors” Natural Science Group at the “Class Demonstration and ‘Demonstration of Majors’ Competition in Private Colleges and Universities in Shanghai in 2020” (“2020年上海市民辦高校“說課”“說專業”競賽“說專業”自科組二等獎”)	Jiang Zhongyun	Shanghai municipal level	Shanghai Association for Non-government Education	December 2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

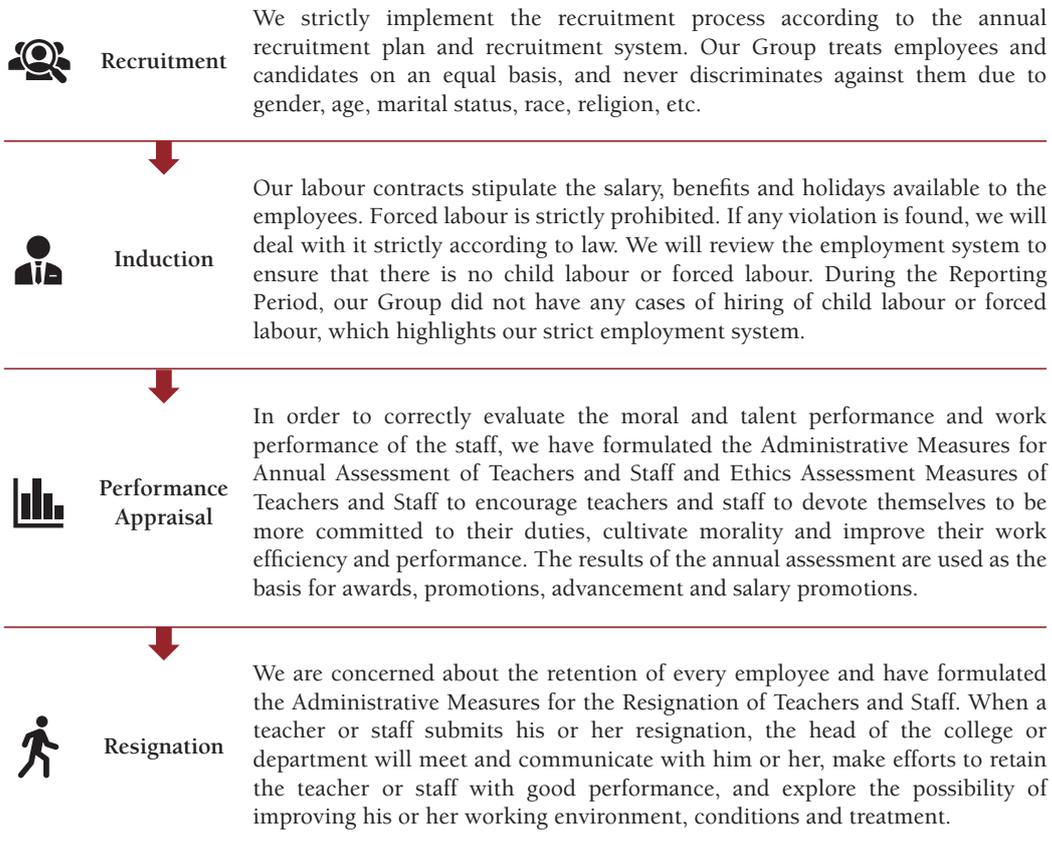
Name of award	Name of teacher	Level of award	Awarding unit	Time of award
Second prize in “Demonstration of Majors” Humanities and Social Sciences Group at the “Class Demonstration and ‘Demonstration of Majors’ Competition in Private Colleges and Universities in Shanghai in 2020” (“2020年上海市民辦高校“說課”“說專業”競賽“說專業”人文社科組二等獎”)	Tang Meina	Shanghai municipal level	Shanghai Association for Non-government Education	December 2020
Third prize in “Demonstration of Majors” subject group at the “Class Demonstration and ‘Demonstration of Majors’ Competition in Private Colleges and Universities in Shanghai in 2020” (“2020年上海市民辦高校“說課”“說專業”競賽“說專業”自科組三等獎”)	Yang Tianchang	Shanghai municipal level	Shanghai Association for Non-government Education	December 2020
Third prize in “Demonstration of Majors” Humanities and Social Sciences Group at the “Class Demonstration and ‘Demonstration of Majors’ Competition in Private Colleges and Universities in Shanghai in 2020” (“2020年上海市民辦高校“說課”“說專業”競賽“說專業”人文社科組三等獎”)	Xu Lei	Shanghai municipal level	Shanghai Association for Non-government Education	December 2020

5.1 STRINGENT EMPLOYMENT STANDARDS

Our Group strictly abides by the Labour Contract Law of the People’s Republic of China, Management of Labour Work and Personnel in Shanghai, Provisions on the Prohibition of Using Child Labour and other relevant employment laws and regulations that have a significant impact on us and are related to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, and we have established a comprehensive employment management system with a range of employment-related system documents including Human Resources Management Procedures, Administrative Measures for Recruitment of Teachers and Staff, Administrative Measures for Annual Assessment of Teachers and Staff and Administrative Measures for Attendance of Teachers and Staff. The Human Resources Management Procedures regulates a complete employment management system, including human resources planning, recruitment and employment, job promotion, attendance and appraisal, training and development, remuneration and rewards and punishment, and resignation. System documents, such as the Administrative Measures for Attendance of Teachers and Staff and Principles on Schedule Arrangement and Implementation Measures, regulate the working hours and vacations of teachers and staff.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

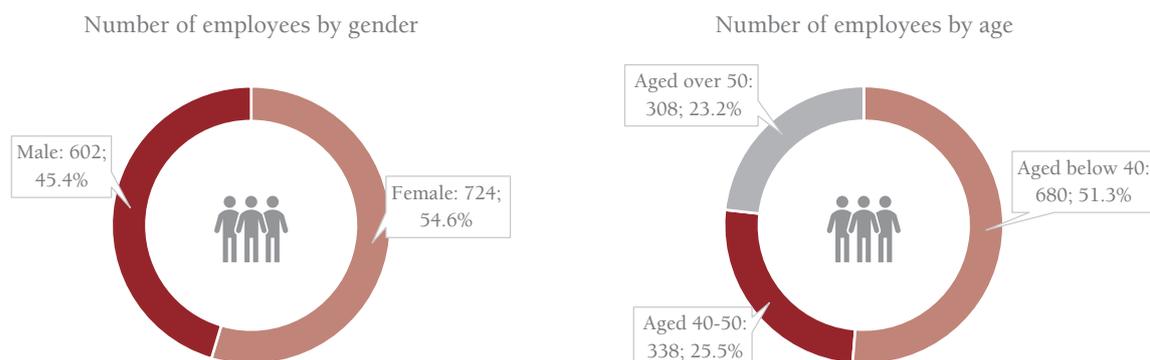
Overview of Employment Process:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Overview of Employees in 2020:

Our University has a total of 1,326 employees. We cherish senior talents, as their valuable experience can enrich the qualifications of our staff team. In addition, we attach great importance to the diversification of our employees. The distribution of employees in different age groups and genders are shown in the figure below:



5.2 CONSIDERATE STAFF CARE

Employees are a valuable asset to our Group in maintaining a quality education. In order to improve the performance-oriented remuneration system and enhance the motivation of the staff, we have formulated the Measures for the Implementation of Remuneration Reform to create a positive work culture.

In addition to the statutory five insurances and housing fund, in order to reflect the care of our Group for teachers and staff, we set up the “Charity Fund of Jian Qiao University” in September 2007, providing financial assistance to teachers and staff with serious illnesses and financial hardships. In addition, we subsidise the premiums for each teacher and staff member who participates in supplemental medical insurance.

Our employees are entitled to sick leave, medical leave, wedding leave, bereavement leave, family leave, maternity leave, paternity leave, nursing leave for late childbirth and other leaves. In order to be sensitive to the needs of working mothers, female staff members with children under the age of one year are entitled to two breastfeeding breaks per day. In addition, to help our staff recuperate physically and mentally, each eligible staff member is entitled to a one-time subsidy of RMB2,000 during the Reporting Period. Our University organises the Badminton Association, Table Tennis Association, Walking Association, Chorus Association, Basketball Association, Football Association, SJQU-Gench Fashion Association and other cultural and sports associations to enrich the lives of our teachers and staff.

In addition, we organise a number of festivals and recreational activities for our staff, such as New Year's parties for teachers and staff, staff sports meeting, flower arrangement activity, baking activity, mental health lectures (consulting), legal consultations, photography competitions, talent show activities, youth friendship and other activities to increase the sense of belonging, happiness and cohesion of employees.

5.3 WELL-ESTABLISHED TRAINING SYSTEM

We have established a comprehensive training system in accordance with the Fourteenth Five-Year Plan for Teacher Development to provide appropriate training for teachers at different stages of development, to improve their professional level.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We have established corresponding in-service training and incentive policies for young and middle-aged core teachers, and formulated the Administrative Measures for the Implementation of Further Education Training for Teachers and Staff, the Measures for the Implementation of Domestic Visiting Scholar Programme for Young Teachers, the Measures for the Implementation of Overseas Visiting Scholar Programme for Teachers, the Measures for the Implementation of industry-university-research practice Programme for Teachers, the Measures for the Implementation of “Development Grant Programme for Young University Teacher in Shanghai” and On-the-job PhD Management Measures to comprehensively strengthen the establishment of various talent teams. The specific training mechanism of our Group is as follows:

I. ENHANCED TRAINING FOR NEW TEACHERS AND STAFF

The trainings are classified into three stages: basic teaching skills training, Gench characteristic teaching training, and teacher ethics and school rules training

II. MENTORSHIP MECHANISM FOR YOUNG TEACHERS

Every new young teacher is assigned middle-aged or elderly teachers with good ideological quality, high academic level and rich teaching experience as a mentor, and a practical training plan is formulated to promote their access to new post and improve their teaching concepts and professional skills and teach and assist students in a right way

III. MULTI-LEVEL AND MULTI-TYPE TEACHER TRAINING SYSTEM

(1) Professional development projects for teachers: domestic visiting scholar programme, overseas visiting scholar programme and industry-university-research practice in enterprises

- Selecting and sending excellent teachers to be visiting scholars in high level and distinctive universities at home and abroad, so that they can keep abreast of and track the domestic and overseas educational concepts, teaching contents, teaching methods, teaching management, as well as academic cutting-edge trends and development tendency, so as to improve their teaching and research abilities and academic level as soon as possible
- encourage teachers to participate in research and development, work or internship in enterprises, design institutes, research institutes and other units through various forms, so that under the guidance of relevant business experts, they enhance their professional practice ability, keep track of the industry trends and development tendency

(2) Doctoral education project

- Our University provides financial support for teachers to study for doctoral degrees, creates a sound working and learning environment for doctoral candidate teachers, and provides academic leave for doctoral candidate teachers in order to give them sufficient time to complete their studies. Meanwhile, we also hold doctoral symposiums to understand the difficulties encountered by doctoral students and provide targeted assistance to help them successfully complete their studies

(3) Teaching ability improvement project

- Our University has established a teaching development centre, and a special institution responsible for the improvement of teaching ability and laid emphasis on teachers' sustainable professional development

(4) Development Grant Programme for Young University Teacher

- Our University implements the “Development Grant Programme for Young University Teacher in Shanghai”, which mainly provides financial assistance to young teachers who have worked in universities for less than two years, are lecturers or below, have a master's degree or higher, and have not independently undertaken teaching and research projects, to carry out teaching and research initiation work. The grant is RMB40,000 to RMB50,000.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

IV. ESTABLISHING “PROFESSIONAL DEVELOPMENT GROUPS FOR TEACHERS”

Our University has established special professional development groups for teachers focusing on teaching reform, courses and majors development and personal development to enable teachers help each other, create synergy and develop in teams

V. REVISING THE MEASURES FOR THE EVALUATION OF PROFESSIONAL AND TECHNICAL POSTS TO FACILITATE THE PROMOTION OF TEACHERS’ TITLES

According to the title reviewers of the Education Commission, with the actual situation of our University, our University has revised the Measures for the Evaluation of Professional and Technical Posts to create a fair and open environment for teachers to promote their professional titles, strengthen the assessment of teacher ethics and teaching ability, and added certain levels of teaching awards, excellent teaching materials, teaching team awards and other awards, which is more conducive to the development of teachers’ careers

VI. TRAINING PARTICIPATION OF TEACHERS AND STAFF IN 2020

In 2020, although affected by the epidemic, the training of teachers and staff in our University has not been suspended. Instead, we made full use of various online training resources to expand teacher training projects and improve teachers’ quality. The teachers and staff participated in various trainings both inside and outside our University throughout the year, including online and offline trainings, totalling 74,316.5 hours.

6. BUILDING A BRIDGE FOR SOCIETY TO SATISFY ITS NEED FOR EDUCATED TALENTS BY A “REASSURING” GENCH

We strictly abide by laws and regulations, strives to operate with integrity and compliance and protects campus health and safety, information and privacy security and intellectual properties. We value the opinions and communication of students and parents, implement responsible supply chain management to establish an environmentally-friendly campus, practise philanthropy and endeavour to fight against the epidemic in light of the COVID-19 epidemic in 2020, which lays a great foundation to ensure the steady development of our business.

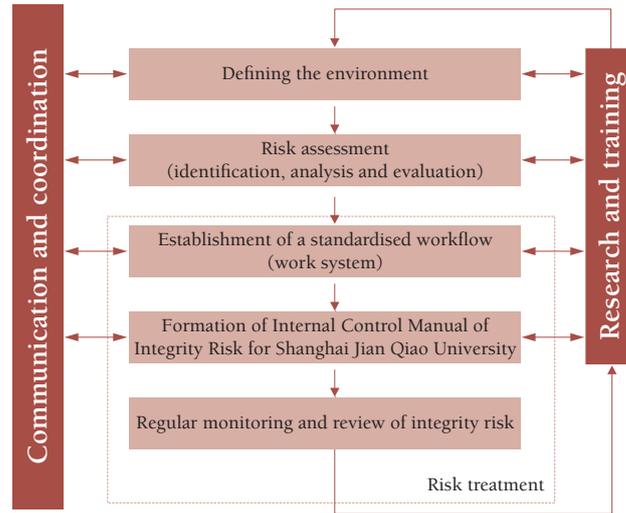
6.1 ROBUST COMPLIANCE OPERATION

I. Integrity Supervision

Our Group adheres to clean and compliant operations, strict compliance with the Criminal Law of the People’s Republic of China, Anti-Money Laundering Law of the People’s Republic of China, Guidelines for Integrity and Self-discipline of the Communist Party of China, the Guidance on Strengthening Integrity Risk Prevention and Control and other relevant Chinese laws, regulations and guidelines that have a significant impact on us and are related to the prevention of bribery, extortion, fraud and money laundering. In order to build an integrity and compliance culture for the whole Group, we have carried out the project of Construction of Integrity Risk Prevention and Control System of Shanghai Jian Qiao University, introducing risk management theory and modern quality management methods into our integrity risk prevention and control system, to control and supervise in power operation. We have developed the Integrity Risk Internal Control Manual for Shanghai Jian Qiao University, which divided our integrity risk internal control into school-level and business-level, and established the implementation flow chart of integrity risk project to effectively fight against fraud, corruption and abuse of power. We also formulated the Compilation Document of Integrity Risk Prevention and Control System for Shanghai Jian Qiao University, which is a compilation of all the system documents related to integrity risk prevention and control as a guideline for all teachers and staff to promote integrity in their daily business operations. In terms of mechanism construction, our University implements the ISO 9001 quality management system, allowing the integrity risk prevention and control system to be properly implemented.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2020, our University held an anti-corruption risk prevention and control research conference, focusing on important business matters and high-risk areas of anti-corruption, especially key areas and key positions. According to the evaluation results, the three aspects of school-level organizational structure control construction, working mechanism, and key post control were managed and controlled, and the integrity risk control construction standards at the school level and the business level were improved.



Implementation flow chart of integrity risk project

In order to further regulate the integrity and self-discipline of our Group's management at all levels and all employees, we manage in accordance with the law, and strictly enforces work discipline. We have formulated a series of regulations on the construction of Party integrity, which set out the main responsibilities of the leadership team and the discipline inspection organisation, strengthened inspection and evaluation and pursued strict accountability, and strictly prohibited all leaders and teachers and staff from accepting gifts in violation of the rules and from using public funds for travel, taking bribery, extorting, fraud and other purposes that violate laws and regulations.

We have set up a discipline inspection office, a correspondence and visit office and a grassroots discipline inspection team to comprehensively monitor the implementation of our Group's integrity building. We attach great importance to the letters of petition and visits, and have formulated the Administrative Measures for the Dealing of Opinions and Complaints and established several channels for letters of petition and reports.

In order to promote the culture of integrity, strengthen anti-corruption education and address both symptoms and root causes in our Group, we have developed the Manual of Integrity Risk Prevention and Control Trainings in Shanghai Jian Qiao University, and properly carried out the prevention and control of anti-corruption. During the Reporting Period, we held several anti-corruption trainings on integrity risk prevention and control for the internal auditors to guide the internal control, and timely delivered the message of new deployment and new requirements of integrity and corruption prevention. A school integrity risk evaluation system is established to improve the Risk Control Manual of Jian Qiao University.

During the Reporting Period, our Group did not have any case involving corruption litigation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, we strictly comply with the requirements of laws and regulations such as the Non-state Education Promotion Law of the People's Republic of China and the Advertising Law of the People's Republic of China. We have established rigorous system documents on external information management to regulate all our Group's information dissemination and publicity. Any form of information release and promotion in the name of our University must be approved by the publicity department of our University to ensure the accuracy, timeliness and effectiveness of the information on the principles of truthfulness, timeliness, and seriousness.

II. Information Security

We are committed to protecting the privacy of students and parents, and have developed Administrative Measures on Confidentiality and Administrative Measures on Records to strengthen the confidentiality of information management and effectively prevent the loss or leakage of information due to negligent management and to prevent theft. The following are the priorities of our information confidentiality efforts:

- (1) Define classified and unclassified computers according to their purpose and employees should not take portable classified computers out of the office without permission;
- (2) Important departmental personnel who are classified shall keep all mobile classified storage devices secure and shall not leave the school with them without permission;
- (3) Employees in each department should have the approval of the appropriate department head for information posted online;
- (4) The confidential level of documents are classified according to their content and shall be kept secure;
- (5) The management of the place where important and confidential documents are stored should be strengthened, and unrelated personnel should not be allowed to stay.

We strictly abide by the Regulations of the People's Republic of China for Safety Protection of Computer Information Systems, Notice on the Development of Security Level Protection of Information Systems in Shanghai's Education Industry and other national and local laws and regulations and guidelines. In order to further improve the level of information security protection of our Group, we have formulated system documents such as the Administrative Measures for the Information Security in University and the Administrative Measures for the Information System to regulate the management of campus information and network security, strengthen and standardise the construction and management of information systems, make more efficient use of resources and ensure the security and stable operation of information systems in university.

III. Intellectual Property

We understand the importance of respecting intellectual property and the fruits of intellectual work, and strictly abide by the Intellectual Property Law of the People's Republic of China, the Patent Law of the People's Republic of China, the Copyright Law of the People's Republic of China and other relevant laws. In order to safeguard the legitimate rights and interests of our Group and our research personnel, encourage the enthusiasm of our teachers and students to invent and create, and promote the development and progress of our research, we have formulated the Administrative Measures on Patent, Administrative Measures for School-Enterprise Cooperation and other systems to strengthen the protection of intellectual property of our University and others.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Administrative Measures on Patent stipulate that the right to apply for a patent for inventions and creations made by teachers and students in the course of their work belongs to our University. Once a patent is approved, no unit or individual has the right to use or assign it without permission from our University. For non-job inventions, the right to apply for a patent belongs to the inventor or designer, and no unit or individual may infringe on his or her patent application and patent rights. In order to encourage our students, teachers and staff to actively carry out scientific research and technological development, to create an atmosphere of new inventions and technologies, and to speed up the transformation to a university of applied technology, the technologies invented in the course of their work will be rewarded and honoured according to the Measures for the Implementation of Rewards for Scientific Research Achievements if they are granted patents.

We actively carry out school-enterprise cooperation projects to clarify the intellectual property rights of the results of production, education and research. The Administrative Measures for School-Enterprise Cooperation stipulates the research on school-enterprise cooperation projects centering on our Group, and the property rights management under the conditions of research invested by external cooperative units. Where patents are involved in the results of production, education and research, they shall be implemented in accordance with the Administrative Measures on Patent.

6.2 FIGHT AGAINST THE COVID-19 PANDEMIC

I. *Prevention and Control of the Pandemic*

Since the start of the pandemic prevention and control on 23 January 2020, our Group has established a leading group for the COVID-19 pandemic prevention and control immediately, held several special meetings on pandemic prevention and control to study the pandemic prevention and control work, and made a series of important deployments to ensure the efficient implementation of prevention and control work. According to the pandemic prevention and control work guidelines from superiors, and combined with the actual situation of our University, we have formulated a complete set of complete and detailed pandemic prevention and control rules and regulations in place in terms of teachers and students' in and out of the campus, dining, dormitory management, environmental disinfection, and emergency response to fever, such as Management Regulations on the External Personnel's Entering the University During the Period of Pandemic Prevention and Control (《疫情防控期間外來人員入校管理規定》), the Regulations on Campus Disinfection and Environmental Management (《校園消毒與環境管理規定》), the Regulations on Body Temperature and Symptom Monitoring Management (《體溫和症狀監測管理規定》), the Prevention and Control Material Management Regulations (《防控物資管理規定》), and dynamically adjusted and constantly monitored the prevention and control measures according to the situation of the pandemic, so that the implementation of prevention and control work are based on the rules and regulations.

In the early stage of the pandemic, in order to accurately grasp the health information of all teachers and students, timely analyse and query the information and data, we have independently developed a pandemic prevention system with a series of functions such as pandemic prevention and control management, personal health declaration, back-to-university management, applications for in and out of our University, online meal ordering, and applications for leaving university, so as to facilitate university to prevent and control pandemic. Staffs in security, dormitory management, cleaning, catering, maintenance and other departments continue their work during the winter vacation for safeguarding the safety of teachers and students staying in university.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Security Centre	Strict implementation of in and out of the campus management regulations, 24-hour uninterrupted patrol duties, and strict body temperature measurement, registration, and code scanning, building the first line of defense for all teachers and students.
Property Service Center	Comprehensive implementation of campus hygiene improvement through strengthening the disinfection of public areas on campus twice a day, and strengthening the cleaning and disinfection of important areas such as public teaching buildings, elevators and buttons, door handles, stair handrails and toilets three times a day to ensure thorough disinfection.
Logistics and Security Office	Proactive connecting with various material suppliers through multiple channels to ensure adequate reserves of pandemic prevention materials, arrange special personnel to manage warehouses of pandemic prevention and control materials, and establish recording system for managing the warehousing of prevention and control materials.
Maintenance Support Center	Complete cleaning and disinfection of air-conditioning, fans in students' dormitory and central air-conditioning in various public areas prior to the students' returning to university, covering 5,612 air-conditioning and 1,369 fans.
Catering	Reasonable control of the flow in canteen through setting up a queuing area at the entrance of the canteen, with special personnel arranged for checking body temperature. A one-way flow dining route was planned in the canteen, guidance signs were set up for dining process, and the functional sketch map of the dining area and the instructions for dining during the pandemic prevention period were clearly displayed. Open windows in the canteen three times a day, and disinfect the floor of the hall, garbage cans, dining tables and chairs, and door handles of the canteen. Disinfect the environment by turning on the ultraviolet radiator every morning, noon, and night, clean and disinfect the cleaning tools and store them in a fixed location, and make a record of disinfection at the same time.

During the special period of the pandemic, in order to ensure the normal daily life of teachers and students who stayed in school and returned to school, the staffs of security and dormitory management department actively helped teachers and students to deliver their meals, water and purchase various daily necessities in the course of service. During the pandemic, we developed the official duty meals reservation function. The canteen arranged special personnel for delivery according to the ordering needs. Prior to the students returned to university, the dormitory management staff overcame the difficulties of shortage manpower and heavy responsibilities to take turns to dry the students' quilt under the sun for ventilating and sterilisation.

During the Reporting Period, there were no cases of COVID-19 infection among teachers and students in our University, fully reflecting the effectiveness of our pandemic prevention and control measures. In addition, the pandemic has also further improved our University's disease treatment plan and the cooperation capabilities among various departments, transforming the original temporary disease treatment plan into a continuous improvement of normalisation work system.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

II. Information Services during the Pandemic

During the pandemic, our online education and teaching coverage reached about 90%. In response to the difficulty of statistics on the status of teachers and students and the heavy workload during the period of the COVID-19, we developed the “Gench i Health” platform.

The platform provides teachers and students with functions of filling in their basic personal information, estimated time for students to return to university, daily report on health condition and application for temporary entering university. In addition, the platform has generated daily pandemic data reports, and accurately grasps the pandemic situation of students, teachers and staff and the activities during the period of pandemic prevention and control through informationisation means. Through the platform, our University has strengthened the information sharing among campus health department, teaching affair administration department, student management department, logistics and security department and other institutions, joining forces of classroom commencement guarantee and pandemic prevention and control. Gench i Health platform has realised the function of daily report on health condition for all students in university since 14 February 2020, with a reporting rate of 100%, and successfully assisted counselors to complete health approval and entering university confirmation for thousands of graduates returning to and leaving university during the COVID-19 pandemic.



Gench i Health
Management Platform

III. Participate in the Fight against the COVID-19 Pandemic

Since the outbreak of the COVID-19 pandemic, we have seen the teachers, students and alumni of our University in the fighting against the pandemic. They actively participate in the frontline of fighting against the pandemic and practice the essence of our motto of “Thanksgiving, Return, Loving, Responsibility” with practical actions, with a total of more than 500 teachers, students and alumni participating in voluntary service work. For example, our University’s alumni of 2015, Zhu Meilin (諸玫琳) majoring in nursing, participated in the first medical support team for Hubei, demonstrating the responsibility and assumption as medical workers. Chen Dongxin (陳棟鑫), a young teacher of our University, organised volunteers to seek channels for the purchase and donation of pandemic prevention materials from the international community and friends, and delivered tens of thousands of medical masks and gloves to the epicenter of the pandemic in the PRC, therefore was awarded honours at municipal level.

IV. Delivering the Positive Messages on Pandemic Prevention to Overseas

In 2020, the COVID-19 pandemic had a great impact on foreign exchanges. We always care about the study and life of overseas teachers and students, try our best to reduce the impact of the pandemic on international cooperation projects through arranging online course teaching, assisting students in completing remote registration and organising foreign parties to participate in online admission presentations for new students to ensure the smooth progress of education and teaching. Despite a shortage of pandemic prevention materials at home, our University sent 6,900 masks to all overseas teachers and students, and donated 15,000 masks to the Education Office of the Embassy of the People’s Republic of China in Japan, the Association of Private Universities of Japan and the Japan-China Student Support Organization General Incorporated Association (一般社團法人日中留學生支持機構).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

V. Care about Employee during the Pandemic

During the pandemic, we further enhanced our care about our employees through notifying and arranging the COVID-19 vaccination for all employees on 27 December 2020. As of January 2021, a total of 318 employees were successfully vaccinated at Shanghai Pudong Hospital. In addition, we found no disregard to the mental health issues during the pandemic, and campus mental health-related services responded to the needs of all parties as usual.

6.3 COMPREHENSIVE LOGISTICS SUPPORT

Our Group has been concerned and focused on the safety and health of teachers and students. We have been strictly abiding by the Food Safety Law of the People's Republic of China, the Operating Rules on Food Safety in Catering Services, the School Hygiene Working Regulations, the Fire Control Law of the People's Republic of China and other relevant laws and regulations, and developed a comprehensive health and safety management system, from campus safety, food safety, health and safety education, disease prevention and control, emergency response plans and other systems and measures for teachers and students to build a healthy and safe campus.

I. Campus Safety

In order to strengthen campus fire safety, we formulated the Administrative Measures on Fire Safety to protect the lives and property of teachers and students. We established a volunteer fire department in accordance with the fire code, and have developed appropriate firefighting and emergency evacuation plans and conducted drills. Fire prevention inspectors conduct three fire prevention inspections per day in the entire university area to identify potential fire safety hazards and carry out corrective work in a timely manner. We carried out publicity, education and training on fire control knowledge and skills. In the second half of 2020, special firefighting drills were carried out for canteen and property employees. On 12 November 2020, our University organised more than 1,000 teachers and students and experimental training centers from all colleges and logistics employees to hold an evacuation and escape analogy exercise with the theme of “focusing on fire fighting and putting life first”. Through the drill of simulating the actual scenes of fire fighting and smoke escape, the risk prevention awareness and self-protection ability of teachers, students and staff have been improved.

II. Food Hygiene and Safety

Our Group attaches great importance to food safety on campus and has established a number of management systems and documents relating to campus canteens and catering shops, such as Measures for the Implementation of Food Safety Inspections, Administrative Measures on the Responsibility of Food Hygiene Principals, Measures for the Implementation of Accountability for Food Hygiene and Safety, Measures for the Implementation of All-round Quantitative Assessment of Canteens and Measures for the Implementation of Penalties for Canteens and Catering Shops, to ensure food hygiene and safety on campus.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition to organisation of regular inspections by food safety managers and department heads, our campus canteen catering system is transformed and upgraded with information technology and based on a canteen supervision platform, and the canteen traceability management, ledger management, warehouse management, publicity management, education and training systems are integrated. Through data acquisition and push platform, the effective information is classified and management and pushed to relevant personnel based on different authorization for real-time monitoring and analysis, and restaurant peak analysis, satisfaction analysis, sales management analysis, and restaurant stall rankings and dish rankings are achieved through the online ordering platform. In process monitoring, various hardware devices are added to make it easier to control various difficult-to-supervise processes. For example, morning inspection records integrate access control, identity authentication and temperature measurement data acquisition functions, which effectively manage canteen operators. The vegetable soaking equipment can carry out soaking management within the specified time, and gives an alarm when the time is less than the specified time; the sample-retaining refrigerator can only be opened by the relevant management personnel, and the system will record it immediately. The Internet-of-Things connection of the disinfection cabinet realises the standardization of disinfection time and data acquisition.

We assess the hygiene and safety of the canteen through different levels of assessors and assessment methods, and the principal in charge of the whole university canteen is responsible for the supervision and inspection, regularly convening a joint meeting to discuss and study the hygiene and safety, and reporting to the office of the principal, listening to the opinions and suggestions of teachers and students, and continuously optimising the food hygiene and safety.

III. Safety and Health Education

Student safety and health education is an important part of university education.

(1) Incorporating safety education in to required general education course

Since 2018, university student safety education course has been upgraded to a required general education course at our University, totaling 16 hours of credit for completing this course and exams for 1 credit. In 2020, we taught the course to over 5,400 freshmen, with a total of 318 classes and 636 hours of instruction on topics such as basic firefighting, traffic safety, healthcare and food safety, hands-on firefighting and hands-on healthcare.

(2) University Students Safety Knowledge Contest

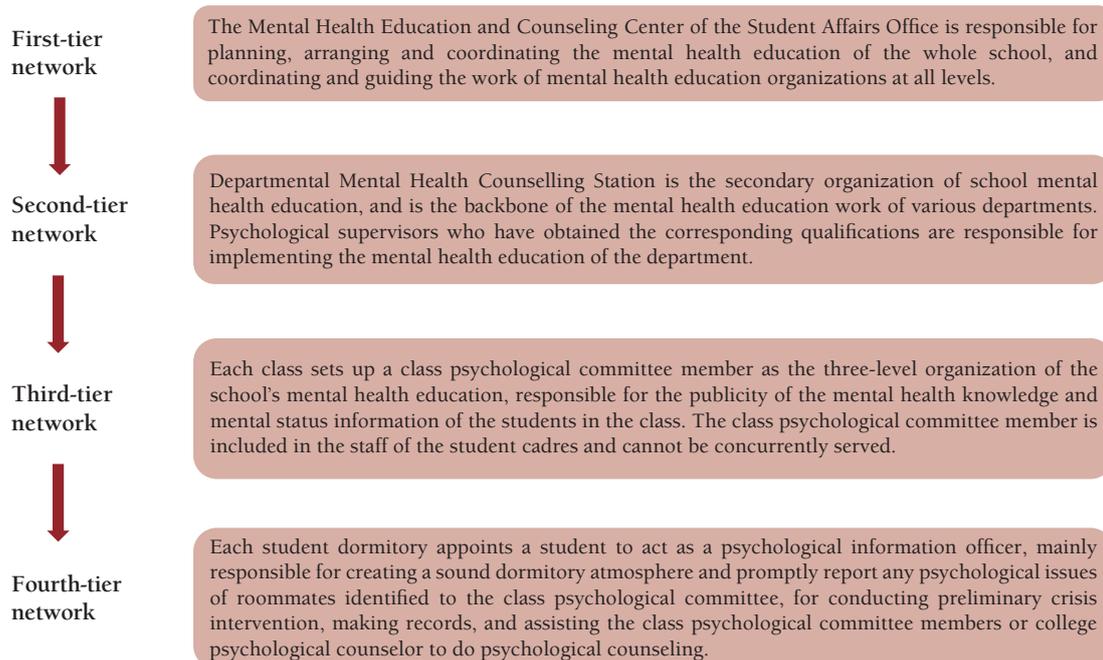
In recent years, we have actively organised students to participate in the Shanghai University Student Safety Knowledge Contest and have hosted many private selection contests to improve the safety awareness and self-protection ability of our students. On 31 October 2020, our University organised the participation in the private selection of the 5th Shanghai University Student Safety Knowledge Contest and won excellent award.

(3) Four-tier network for mental health education

In addition to the physical health of students, we also care about their mental health. We formulated the Administrative Measures of Student Mental Health Education and Crisis Intervention to strengthen student mental health education and psychological crisis prevention and management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We have established a four-tier network for mental health education:



IV. Disease Prevention and Control and Health Management

In order to strengthen the prevention and control of diseases and health management, we have formulated a series of implementation measures, including the Measures for the Implementation of the Detection, Information Record and Reporting of Infectious Diseases among Students to regulate the detection, information record and reporting of infectious diseases and to control the spread thereof, in a timely manner. The Measures for the Implementation of Student Health Records stipulate that the information for the physical examination of freshmen shall be kept by our University, and the health records of university students shall be established to grasp the health status of students during our University period, so as to better care for their health.

V. Emergency Response Plan

We have established a number of emergency response plans to quickly and efficiently deal with accidents including fire accidents, hazardous chemical accidents, medical office emergencies, campus emergencies and sudden outbreaks of infectious diseases.

6.4 RECIPROCAL SUPPLY MANAGEMENT

Adhering to the concept of mutual benefit and win-win cooperation and the code of conduct of integrity, pragmatism, fairness, and efficiency, our Group enhances our supply chain management.

To standardise procurement procedures, enhance the quality and efficiency of suppliers, and ensure the quality of procured products and services, we have formulated system documents such as Supplier Management Procedures and Procurement Management Procedures to conduct information registration, evaluation, and assessment and management of suppliers, so as to reduce supply chain risks in an all-round way, and improve procurement performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, we had 84 major suppliers, all in mainland China. Our cooperation is all carried out in accordance with the relevant supplier and procurement management systems we have formulated to implement unified management. Our suppliers come from many provinces and cities across the country, which ensures a diversified supply pipeline.

I. Supplier Integration and Management

We have established a supplier management system. According to the Supplier Management Procedures, we review the qualification documents, performance data, samples and other information provided by the suppliers, and take the suppliers' qualification, quality, price, compliance with laws and regulations and other criteria to decide whether to include them in the supplier management system, and establish the List of Qualified Suppliers. We will also consider whether the supplier has a quality management system certificate, such as ISO 9001. To ensure the quality of suppliers, we regularly evaluate the quality, cost performance, delivery capability and compliance rate of products or service provided by suppliers listed in the List of Qualified Suppliers to form a mechanism of survival of the fittest, and will either remove them from the list or put them on inspection period if they fail to meet the standards.

We also encourage suppliers to fulfill their own corporate social responsibilities, including whether they take environmental protection measures, supplier integrity, respect for labour achievements, prohibit the employment of child labour in any form, treat employees equally, and non-violating laws and regulations.

II. Procurement Management

In accordance with the Procurement Management Procedures, our Group exercises strict control over the procurement process and suppliers to ensure that the products and services procured meet the specified requirements. We procure products or services from the List of Qualified Suppliers based on quality, cost performance and other considerations. We have established an effective procurement oversight and tender and bidding information disclosure mechanism to increase the transparency and integrity of the procurement supply process.

III. Supplier Integrity and Safety Management

In order to ensure that our suppliers maintain integrity and self-discipline in engineering construction, we will sign the Integrity and Self-discipline Agreement with our suppliers, which strictly prohibits them from offering any benefits or financial rewards to our employees, confirming that all business transactions with us are in compliance with national laws and regulations and enterprise rules and regulations to ensure that the products or services supplied to us are authentic and reliable, and any fraud and other illegal activities are prohibited. We have also signed a Safety and Civilisation Construction Agreement with our contractors to ensure that they comply with health- and safety-related laws and regulations during construction.

IV. Green Procurement

We advocate green procurement and will take into account environmental protection principles during procurement, such as products that can be reused and use environmentally-friendly materials, energy efficiency, use of clean energy, water consumption, etc., and implement green supply chain management. We strictly implement a mandatory procurement system for energy-saving and environmentally-friendly products and give priority to energy-saving, water-saving and material-saving products.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6.5 ENVIRONMENTALLY-FRIENDLY GREEN CAMPUS

As a responsible higher education group, we formulate the Corporate Sustainable Development Policy with a coverage including environmental protection, and require our employees to strictly comply with relevant national environmental laws and regulations, such as the Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes and Energy Conservation Law of the People's Republic of China. We belong to the education industry and have a relatively small impact on the environment and natural resources. The major impacts are the consumption of electricity, the use of water, the use of school and office supplies, the production of waste from school, offices and canteens, and vehicle use. We have formulated a series of effective systems and measures to reduce exhaust gas and greenhouse gas emissions, discharge to water and land, hazardous and non-hazardous waste, and minimise the impact on the environment and natural resources in our daily business operations, so as to build a green campus to contribute to the protection of the environment. During the Reporting Period, there were no incidents related to non-compliance associated with the environment and emissions within our Group.

I. Major Energy-saving and Transformation Measures

Through the following planning and implementation on the comprehensive energy saving and emissions reduction, we have achieved good results in energy conservation, water conservation, and air emissions reduction. For details of energy and water consumption and vehicles' air emissions during the Reporting Period, please refer to Appendix I: Key Performance Indicators. Examples for major energy-saving and transformation measures are as follow:

(1) Technical Transformation of Energy and Water Saving

TRANSFORMATION OF SMART LIGHTING CONTROL

- The energy-saving transformation of indoor lighting control. A smart lighting controller is used to detect the indoor illumination and people flow to control the lights on/off
- A remote centralised control software system for lighting energy saving, which mainly includes a cloud platform, control software and mobile phone application, etc.
- Intelligent transformation of campus street lamp circuit has been carried out. According to the time and location of the street lamps as needed, we have turned on the street lamps regularly and at fixed positions

TRANSFORMATION OF AIR-CONDITIONING ENERGY SAVING

- Transformation of the air-conditioning socket into a dedicated smart socket, thereby achieving energy-saving standby mode as well as limiting temperature, time and power
- Transformation of the air-conditioning controller into a smart one, thereby achieving the adjustment on energy-saving
- In actual use, it will be designed and used separately according to different models and types of air conditioners

TRANSFORMATION OF WATER BOILERS ENERGY SAVING

Water boilers in public teaching buildings, school buildings and libraries have been equipped with timing control modules, and the water boilers are stopped through power off from 10:00 in the evening to 6:00 in the morning, thereby reducing the waste of electricity

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

INSTALLATION OF SOLAR THERMAL COLLECTOR

Solar thermal collectors have been installed in the new dormitory building to make full use of renewable solar energy resources and reduce the waste of electric energy

TRANSFORMATION OF WATER SAVING

We have strengthened the construction of intelligent water supply information, and promoted the water-saving management of our University through new technology and new platform, with remarkable achievements. In 2020, our University successfully passed the water balance test in Shanghai and the review of water-saving universities.

- The original long-running flushing was changed to the time controller with a solenoid valve. The interval and length of flushing are reasonably set for purpose of saving water based on breaks between classes and the peak period of toilet use
- The nearby river water resources have been fully used for greening, irrigation and maintenance. After years of maintenance, the planted green plants will be irrigated with the tap water mixed with river water after their vitality is stabilised, and the proportion of tap water will be gradually reduced to optimize the use of water resources and reduce resource waste
- An integrated monitoring platform for our smart water supply has been established. Through a smart water supply monitoring platform, scientific management and control of water resources will be conducted immediately, including water saving analysis, pipe network GIS management, instrument monitoring, leakage management and control, and pump room monitoring, to effectively promote water use and water saving management

(2) Green Office

OFFICE LIGHTING AND EQUIPMENT MANAGEMENT

- Use as much natural light as possible in offices, conference rooms, corridors and other office areas
- Equip motion-sensing lights without using any long-lasting lights
- Turn off computers, printers, photocopiers, projectors and other electrical equipment when they are not in use to reduce idle waste
- Do not use any electric stoves and other high-power appliances in offices



PAPER MANAGEMENT IN OFFICES

- Advocate paperless and electronic office means, complete online applications and electronic forms, as well as using television and telephone to convene conferences
- Increase the utilisation of waste paper
- Promote the use of environmentally-friendly recycled paper and other resource recycling products



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(3) Establishment of a Green Data Centre

Establishing a green data centre in our University to publish daily information related to energy consumption of our University in real-time so that the teachers and students can keep abreast of it.

(4) Green Transportation

OFFICIAL VEHICLE MANAGEMENT

- Adjust the existing regulations on the use of official vehicles, raise the standards and requirements for official vehicle applications, and strictly control the approval process for official vehicles
- Encourage the teachers and staff to travel by shuttle buses and public transport
- Enhance the service efficiency of shuttle buses, and increase the number of passengers per shuttle bus trip
- Rationalise the number of stops and routes



II. Coping with Climate Change

In response to the Paris Agreement with the participation of many countries around the world and the national planning initiatives as issued by our country such as the National Response to Climate Change (2014-2020) (《國家應對氣候變化(2014-2020年)》), we are committed to mitigating and combating climate change in our daily operations through policies and measures on conserving energy, reducing emissions and consumption of natural resources, advocating green life as well as encouraging the eco-friendly scientific research.

Our Group refers to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to identify the risks of climate change to our material entities, such as those arising from natural disaster events such as typhoons, storms and floods. We have established the Safety Management System of Preventing Flood and Typhoon and the Emergency Response Plan for Preventing Flood and Typhoon to enhance our overall ability to prevent floods and typhoons and to resist the risk of natural disasters, thereby ensuring that we are capable of tackling natural disaster emergencies in a timely and efficient manner, to protect the lives of our students and teachers and the property safety of our University and to ensure the normal operation of our teaching, research and business.

We calculate greenhouse gas (GHG) emissions based on ISO14064-1 stipulated by the International Organisation for Standardisation (ISO) and the GHG Protocol formulated by the World Resources Institute and the World Business Council for Sustainable Development. For details of our GHG emissions during the Reporting Period, please refer to Appendix I: Key Performance Indicators.

III. GREENING RENOVATION ON CAMPUS

We added new varieties of seedlings and matched them with the existing plants based on the different levels to form an orderly greening layering. While beautifying the campus environment, it also helps reduce carbon emissions. Currently, the green coverage rate on campus reaches 47.5%.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

IV. *Advocating Green Lifestyle*

(1) *Garbage Sorting Management*

The domestic waste of our Group is classified into four categories: dry waste, recyclables, wet waste and hazardous waste. We have entrusted a qualified waste management company to collect and dispose of dry wastes. In terms of the disposal of kitchen waste, we have purchased wet waste processors, and signed the Maintenance Service Contract with a qualified third-party manufacturer, so that kitchen waste can be processed on the spot on a daily basis, and will not be left on campus overnight or taken out of the campus. Regarding hazardous waste, electronic products, are recycled by qualified recycling companies for treatment. We have implemented a system for separate collection of domestic waste at sources and at fixed locations within students, teachers and staff, canteens and shops, and has arranged special waste sorting supervisor to guide and urge students, teachers and staff to sort out the waste.

COURSE OFFERINGS:

We have comprehensively promoted education on garbage sorting knowledge. At the beginning of September 2019, we have incorporated the relevant content of garbage sorting into our University student safety education course. In 2020, we have also incorporated garbage sorting education into the enrollment education system for freshmen. Garbage sorting has been incorporated into the first situation and policy course for freshmen, credits can only be obtained after passing the exam, thereby realizing full coverage of freshman education.

PROMOTION:

We have carried out education activities on garbage sorting through banners, posters, and WeChat official accounts of new media. Each college has strengthened their promotion through WeChat, live webcast, and organised offline activities to enhance the awareness and participation rate of teachers and students on campus.

STUDENT ACTIVITIES:

We have established a campus ecological civilization college student volunteer organization, which integrated the spirit of volunteer service and Lei Feng spirit. In addition to organizing garbage sorting activities on campus, we also assumed social responsibilities through going out of campus to private schools to promote knowledge on environmental protection and garbage sorting for primary school students.

(2) *Enhancing the Recycling Rate of Used and Waste Materials*

We strictly sort, categorise and rationally allocate recyclables, recycled used clothes and old books and donated them to needy people in impoverished mountainous areas, especially donating more than 1,000 pieces of clothing to the Hope Primary School through the “Weijia” project of our University, which realised the recycling and reuse of resources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(3) Reducing Waste in Our Daily Lives, Food and Beverage

We have organised various activities and taken a series of measures to prevent wasting of food and beverage, so as to develop the college students' good habit of food-cherishing and food-saving.

SPECIFIC MEASURES:

- Multi-angle promotion through banners, posters and new media.
- Activities themed gifts for clearing your plate have been carried out to guide teachers and students to actively participate in food-cherishing and food-saving activities.
- Small dishes offered and amount of rice controlled by canteen to ensure the food being purchased, cooked and paired according to the number of diners. High-quality ingredients have been selected to avoid waste due to poor taste. Monitor the amount of kitchen waste generated in the canteen, and reward canteens with significant reductions, thereby reducing waste in all aspects of catering.
- Prepare food based on ordering information on the information ordering platform of university to achieve precise food supply and reduce the waste of ingredients. In addition, the variety and quantity of the supply have been adjusted in time according to the sales data of the catering data back-end system.
- Strengthen the construction of raw material procurement and storage functions of canteens, and enhance the intensification and standardization of canteen processing. Improve the information management of the food supply chain, establish a procurement and system keeping electronic record of inventory, and an online tracking system for food source, purchase ingredients in a planned way, thereby reducing waste of ingredient spoilage.
- Strengthen the self-supervision of teachers and students, and establish a team of volunteers such as supervisors or “cleaning your plate action” persuaders targeting at teachers and students to supervise the phenomenon of food waste.
- Our University has enabled the labour education practice base for college students and offered a compulsory course of Labour Education. Teachers and students work together in the fields. Only by personally participating in the production and labour, students can have profound experience of “A rice porridge, when thinking hard-earned (一粥一飯之不易)”, so as to cherish and save food more, and practice the “Clean Your Plate” action.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

V. *University-Enterprise Energy Saving Cooperation*

We actively connect with social resources, promote the implementation of projects such as managing energy by signing contracts, as well as organise teachers and students to carry out exchange activities. Charging stations for new energy vehicles installed by a third-party company are available for teachers, students and visitors, which are managed and maintained by the third-party company.

6.6 SOCIAL PRACTICES AND VOLUNTEER SERVICES

I. *Fulfill Social Obligations*

We have actively implemented the voluntary blood donation task, completed the conscription plan, and actively participated in the China Western Development Program. In 2020, our University organised a blood donation activity, with a total of 944 people participating in blood donation; a total of 82 university students (male: 80 and female: 2) were recruited by the military. During the Reporting Period, three students from our University were admitted to work at the grassroots level in Tibet; and three students participated in the volunteer service in the China Western Development Program.

II. *Practice the Volunteerism*

We carried out in-depth volunteer activities of learning from Lei Feng, improved the long-term mechanism of volunteer service.

- *Serving the 3rd China International Import Expo (CIIE) in Shanghai*

From 5 November to 10 November 2020, during the 3rd CIIE, a total of 85 volunteers from our University participated in the service guarantee work, of which 50 served in the third responsibility area of Qingpu Public Security Bureau and 35 served in the security office, and another 20 reserve volunteers were on standby.

III. *Serve Area Construction*

- *Campus Hall Radiation Area*

Our University has two educational halls: Lei Feng Hall and National Policy Hall. The Lei Feng Hall is positioned to display the vivid image of Lei Feng in a diversified manner, show the practical results of our University's moral education, and carry forward the Lei Feng spirit integrated into daily life. The National Policy Hall mainly shows the development of Chinese political and economic system. During the Reporting Period, the two halls served more than 5,000 visitors from universities, middle schools, primary schools, kindergartens and enterprises in Pudong District, becoming a patriotism education base with certain influence in Lingang and even Shanghai.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- *Cooperative Construction of Lingang Group Industrial University (臨港集團產業大學)*

On 18 December 2020, Lingang Group Industrial University co-sponsored by Lingang Group and our University was officially inaugurated. Lingang Group Industrial University is an exploring brand-new talent development model with the guidance of the government, flag holding by enterprises and the participation of universities under the background of national implementation of the strategy of industry-teaching integration. Through the industry-teaching integration, the momentum contained in universities of Lingang will be released, more skilled workers who have devoted themselves to the development of Lingang will be trained into highly skilled talents, and more outstanding highly skilled talents will also be attracted to facilitate the construction of Lingang.

6.7 SINCERE EXCHANGE OF OPINIONS

We value student response to and evaluation of our University's teaching in a variety of courses, and have developed the Administrative Measures on Students' Evaluation of Teachers. We initiate online students' evaluation of their teachers during the 13th week of each semester to collect students' comments and suggestions on teaching and to survey the achievement of the course's teaching objectives. The results will be analysed statistically and provided to each college as a basis for the Outstanding Teaching Award; at the same time, an annual report on teaching quality and improvement will be completed and provided as a reference for teachers to make decisions on improving teaching and courses design. During the Reporting Period, our students gave our teachers a comprehensive teaching score of 91.29 points, which is a high degree of recognition on our teaching results.

In order to strengthen our communication with students, parents and teachers and staff, to effectively collect their opinions, suggestions or complaints, and to protect the rights and interests of relevant stakeholders, we have formulated the Administrative Measures for Handling Opinions and Complaints. We have established various communication channels, with our University offices responsible for the management of comments, suggestions and complaints in university; and each department and college responsible for receiving and dealing with comments, suggestions and complaints from their respective operations and jurisdictions. The time limit for handling letters of petition generally refers to the State Council Regulation on Letters and Visits and the Regulations of Shanghai Municipality on the Making and Handling of Petition Letters and Calls. Referrals are classified into two categories: 12345 platform and Guoxin (國信網) platform, the former should process within 15 days, and the latter should process within 20 days.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We regularly organise “Principal Online” events, where the principal meets with student representatives face-to-face to discuss topics of common concern. Heads of relevant functional departments related to students, such as the academic affairs department, the logistics and security office and the student affairs department, attended the symposium. The person in charge of the relevant functional departments answered the questions and problems faced by the students one by one, coordinated the relevant management services, created good conditions for the students’ study and life, and put forward specific suggestions and requirements for the students from the study and life, health education and other aspects.

Our University organises regular student seminars and campus open day activities, inviting students to learn about campus administration department, participate in departmental management, understand departmental workflow, listen to students’ opinions and obtain their approval.

During the Reporting Period, our response rate to all petition letters reached 100%.



Effective Communication Channels



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX I: KEY PERFORMANCE INDICATORS

Environmental Performance	Unit	2020
Vehicles' air emissions		
Nitrogen oxides (NO _x)	kg	810.91
Sulphur oxides (SO _x)	kg	1.05
Particulate matter (PM)	kg	76.6
GHG emissions¹		
Direct GHG emissions (Scope 1) ²	tonnes CO ₂ e	769.09
Indirect GHG emissions (Scope 2) ³	tonnes CO ₂ e	11,942.69
Total GHG emissions (Scopes 1 & 2)	tonnes CO ₂ e	12,711.78
GHG emissions intensity		
Intensity of GHG emissions (Area)	tonnes CO ₂ e/m ²	0.02
Intensity of GHG emissions (Number of people)	tonnes CO ₂ e/number of staff and student	0.56
Energy consumption		
Total energy consumption ⁴	MWh	33,873.86
Intensity of energy consumption	MWh/number of staff and student	1.49
Total power consumption	MWh	14,843.01
Intensity of total power consumption (Area)	MWh/m ²	0.03
Intensity of total power consumption (Number of people)	MWh/number of staff and student	0.65
Natural gas consumption	m ³	184,202
Amount of gasoline consumed by fixed equipment	m ³	980
Amount of gasoline consumed by vehicles	litres	36,212
Diesel consumption	litres	32,153
Water consumption		
Total water consumption	m ³	491,459
Intensity of total water consumption (Area)	m ³ /m ²	0.92
Intensity of total water consumption (Number of people)	m ³ /number of staff and student	21.67
Hazardous waste		
Total hazardous waste	tonnes	0.082
Intensity of hazardous waste	kg/number of staff and student	0.001
Number of old computers produced	unit	97
Number of old computers recycled	unit	97
Waste toner cartridge produced	pieces	452
Non-hazardous waste		
Total non-hazardous waste	tonnes	3,803
Intensity of non-hazardous waste	tonnes/number of staff and student	0.17
Amount of non-hazardous waste recycled	tonnes	10
Paper Consumption		
Paper Consumption	kg	4,640.33
Intensity of paper consumption	kg/number of staff and student	0.20

¹ We refer to "How to Prepare an ESG Report — Appendix II: Reporting Guidance on Environmental KPIs" from the Stock Exchange to calculate our Group's GHG emissions in Scope 1 and Scope 2.

² Scope 1: Direct GHG emissions from the sources that are owned and controlled by our Group.

³ Scope 2: GHG emissions indirectly caused by power, heating and cooling or steam purchased by our Group.

⁴ The total energy consumption is the sum of total electricity consumption, natural gas consumption, gasoline consumption due to fixed equipment and vehicles, and diesel consumption (in MWh). For relevant unit conversion factors, please refer to the Energy Statistics Manual from the International Energy Agency.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX I: KEY PERFORMANCE INDICATORS

Social Performance	Unit	2020
All employees	person	1,326
Total number of employees (by gender)		
Female employees	person	724
Male employees	person	602
Total number of employees (by age group)		
Below 40	person	680
40–50	person	338
Above 50	person	308
Total number of employees (by employee category)		
Junior employees	person	1,234
Middle management	person	85
Senior management	person	7
Total number of employees (by region)		
Employees in East China	person	1,326
Employee turnover rate (by gender)		
Female employees	percentage	7.04%
Male employees	percentage	7.48%
Employee turnover rate (by age group)		
Below 40	percentage	5.69%
40–50	percentage	3.15%
Above 50	percentage	12.50%
Employee turnover rate (by region)		
Employees in East China	percentage	7.24%
Percentage of employees trained (by gender)		
Female employees	percentage	98.76%
Male employees	percentage	98.84%
Percentage of employees trained (by employee category)		
Junior employees	percentage	98.95%
Middle management	percentage	96.47%
Senior management	percentage	100.00%
Average training hours per employee (by gender category)		
Female employee	hour	63.60
Male employee	hour	48.48
Average training hours per employee (by employee category)		
Junior employee	hour	53.72
Middle management	hour	90.37
Senior management	hour	188.14
Occupational health and safety		
Number of work-related fatalities in the past 3 years (including the reporting period)	person	0
Lost days due to work injury	day	101
Anti-corruption		
Number of concluded corruption-related litigation cases against our Group or employees	case	0

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Contents of Indicators		Relevant Section	
	A2.5	Total packaging material used for finished products and, where appropriate, with reference to per unit produced.	It is not applicable because it is not involved in our Company's business.
A3 Environment and Natural Resources	General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	6.5 Environmentally-friendly green campus
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6.5 Environmentally-friendly green campus
A4 Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	6.5 Environmentally-friendly green campus
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	6.5 Environmentally-friendly green campus
B. Social Category			
B1 Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5.1 Stringent employment standards 5.2 Considerate staff care
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Appendix I: Key Performance Indicators
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: Key Performance Indicators

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Contents of Indicators		Relevant Section	
B2 Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6.3 Comprehensive logistics support
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix I: Key Performance Indicators
	B2.2	Lost days due to work injury.	Appendix I: Key Performance Indicators
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	6.3 Comprehensive logistics support
B3 Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.3 Well-established training system
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.).	Appendix I: Key Performance Indicators
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix I: Key Performance Indicators
B4 Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	5.1 Stringent employment standards 5.2 Considerate staff care
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1 Stringent employment standards
	B4.2	Description of steps taken to eliminate such practices when discovered.	5.1 Stringent employment standards

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Contents of Indicators			Relevant Section
B5 Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	6.4 Reciprocal supply management
	B5.1	Number of suppliers by geographical region.	6.4 Reciprocal supply management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	6.4 Reciprocal supply management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	6.4 Reciprocal supply management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	6.4 Reciprocal supply management
B6 Product Responsibility	General Disclosure	Information on:	6.1 Robust compliance operation
		(a) the policies; and	6.3 Comprehensive logistics support
		(b) compliance with relevant laws and regulations that have a significant impact on the issuer	
		relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	It is not applicable because it is not involved in our Company's business.
	B6.2	Number of products and service related complaints received and how they are dealt with.	6.7 Sincere exchange of opinions
B6.3	Description of practices relating to observing and protecting intellectual property rights.	6.1 Robust compliance operation	
B6.4	Description of quality assurance process and recall procedures.	4.3 Strict quality management	
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	6.1 Robust compliance operation	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Contents of Indicators			Relevant Section
B7 Anti-corruption	General Disclosure	Information on:	6.1 Robust compliance operation
		(a) the policies; and	
		(b) compliance with relevant laws and regulations that have a significant impact on the issuer	
		relating to prevention of bribery, extortion, fraud and money laundering.	
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.	6.1 Robust compliance operation	
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	6.1 Robust compliance operation	
B7.3	Description of anti-corruption training provided to directors and staff.	6.1 Robust compliance operation	
B8 Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6.6 Social practices and volunteer services
		B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	
		B8.2 Resources contributed to the focus area.	

INDEPENDENT AUDITOR'S REPORT



22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

To the shareholders of Shanghai Gench Education Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shanghai Gench Education Group Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 130 to 195, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 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”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the Hong Kong Institute of Certificate Public Accountants (“HKICPA”). Our responsibilities under those standards are further described in *the Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

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

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED 31 DECEMBER 2020

KEY AUDIT MATTERS

Key audit matter	How our audit addressed the key audit matter
<p>Income tax</p> <p>As set out in note 10 to the financial statements, according to the Implementation Rules for the Law for Promoting Private Education (the "Implementation Rules"), private schools for which the school sponsors do not require reasonable returns are eligible to enjoy preferential tax treatments as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the relevant authorities under the State Council.</p> <p>No corporate income tax was provided on the income from the provision of formal educational services of the Group's university in the People's Republic of China. In accordance with the historical tax returns filed to the relevant tax authorities and the tax compliance confirmations obtained therefrom, the Group's university did not pay corporate income tax for the income from formal educational services and has enjoyed the preferential tax treatment since its establishment. As a result, no income tax expense was recognised for the income from the provision of formal educational services during the year.</p> <p>There were significant judgements involved in management's analysis and assessment, such as the assessment on the possible outcome of the tax provision based on historical experiences and interpretation of the relevant tax laws and regulations in respect of the preferential tax treatment enjoyed by the Group's university.</p> <p>Relevant disclosures are included in notes 3 and 10 to the consolidated financial statements.</p>	<p>The audit procedures included the following:</p> <ul style="list-style-type: none">(i) Discussed with management to evaluate their interpretation of the tax laws and their assessment of the tax obligations of the university operated by the Group for the current year;(ii) Evaluated management's assessment on the application of preferential tax rate or applicable tax rate to the Group's university;(iii) Examined the historical tax filing returns filed to the relevant tax authorities;(iv) Discussed with the Group's external PRC legal advisors to understand their view with respect to the interpretation of the existing applicable laws which would have an impact on the tax applicable to the Group's university;(v) Assessed any new policies, regulations or rules that have been introduced by the authorities, which might have an impact on the tax position taken by the Group as at the balance sheet date and up to the date of this report; and(vi) Involved our internal tax specialist to assist us in assessing the uncertainties arising from the preferential tax treatment enjoyed by the Group's university.

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED 31 DECEMBER 2020

KEY AUDIT MATTERS — *continued*

Key audit matter

How our audit addressed the key audit matter

Revenue recognition — Tuition and boarding fees

Revenue mainly comprised the revenue from tuition and boarding fees from students amounting to RMB541 million for the year ended 31 December 2020, and these fees are generally received in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the terms of the beneficial period for the students, where applicable. The portion of tuition and boarding fees received from students but not earned is recorded as contract liabilities. Due to the large volume of transactions processed and significant amount of tuition and boarding fees and the risk of overstatement of revenue, we considered it as a key audit matter.

Relevant disclosures are included in notes 2.4, 5 and 21 to the consolidated financial statements.

Our audit procedures in relation to revenue recognition of tuition and boarding fees included the following:

- (i) Obtained an understanding of, evaluated and tested the Group's key controls over the admission of students and collection of tuition and boarding fees;
- (ii) Checked the relevant official student records and the reconciliation of the total number of newly enrolled students during the year to the official student records registered with the relevant education authorities of the People's Republic of China;
- (iii) On a sampling basis, checked the relevant supporting documentation including the student payment records, official student records registered with the relevant PRC education authorities, and the payment remittance receipts of tuition and boarding fees; and
- (iv) Performed the re-calculation of the amount of contract liabilities and the tuition and boarding fees recognised during the year in accordance with the terms of the beneficial period for the students, where applicable.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED 31 DECEMBER 2020

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, 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 directors.

INDEPENDENT AUDITOR'S REPORT

YEAR ENDED 31 DECEMBER 2020

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS — *continued*

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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 Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
24 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	554,895	501,442
Cost of sales		(219,485)	(221,529)
GROSS PROFIT		335,410	279,913
Other income and gain	5	27,925	9,191
Selling and distribution expenses		(2,153)	(3,570)
Administrative expenses		(107,690)	(109,894)
Reversal of provision/(provision) for impairment losses on financial assets		623	(464)
Other expenses		(348)	(170)
Finance costs	6	(55,761)	(48,721)
PROFIT BEFORE TAX	7	198,006	126,285
Income tax expense	10	(4,950)	(865)
PROFIT FOR THE YEAR		193,056	125,420
Attributable to:			
Owners of the parent		193,056	125,420
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12	RMB0.47	RMB0.42

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2020

	2020 RMB'000	2019 RMB'000
PROFIT FOR THE YEAR	193,056	125,420
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(476)	(337)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(476)	(337)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	(476)	(337)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	192,580	125,083
Attributable to:		
Owners of the parent	192,580	125,083

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,875,400	1,820,421
Right-of-use assets	14	643,389	658,320
Other intangible assets	15	1,097	1,853
Prepayments	18	142,265	9,926
Deferred tax assets	16	—	346
Total non-current assets		<u>2,662,151</u>	<u>2,490,866</u>
CURRENT ASSETS			
Accounts receivable	17	3,511	4,984
Prepayments and other receivables	18	3,999	9,007
Cash and cash equivalents	19	<u>714,621</u>	<u>334,867</u>
Total current assets		<u>722,131</u>	<u>348,858</u>
CURRENT LIABILITIES			
Other payables and accruals	20	116,364	196,282
Dividend payable		439	—
Interest-bearing bank borrowings	23	411,822	275,000
Contract liabilities	21	347,241	307,208
Tax payable	22	4,659	147,592
Deferred income	24	<u>2,412</u>	<u>17,065</u>
Total current liabilities		<u>882,937</u>	<u>943,147</u>
NET CURRENT LIABILITIES		<u>(160,806)</u>	<u>(594,289)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>2,501,345</u></u>	<u><u>1,896,577</u></u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	23	712,780	856,280
Deferred income	24	26,178	25,322
Total non-current liabilities		738,958	881,602
NET ASSETS			
		1,762,387	1,014,975
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	3,677	—
Other reserves	26	1,758,710	1,014,975
TOTAL EQUITY		1,762,387	1,014,975

Zhou Xingzeng
Director

Zheng Xiangzhan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the parent						
	Issued capital RMB'000 Note 25	Share premium RMB'000 Note 26(a)	Capital reserve* RMB'000 Note 26(b)	Statutory	Exchange	Retained profits* RMB'000	Total equity RMB'000
				Surplus	fluctuation		
				reserves* RMB'000 Note 26(c)	reserve* RMB'000		
As at 1 January 2019	—**	—	184,787	84,903	—	620,202	889,892
Profit for the year	—	—	—	—	—	125,420	125,420
Other comprehensive loss for the year							
Exchange differences on translation of foreign operations	—	—	—	—	(337)	—	(337)
Total comprehensive income for the year	—	—	—	—	(337)	125,420	125,083
Appropriations to statutory surplus reserves	—	—	—	39,040	—	(39,040)	—
As at 31 December 2019	—**	—	184,787	123,943	(337)	706,582	1,014,975
Issuance of shares for the initial public offering ("IPO")	886	534,896	—	—	—	—	535,782
Capitalisation issue of shares	2,656	(2,656)	—	—	—	—	—
Exercise of the over-allotment option	135	81,549	—	—	—	—	81,684
Share issue expenses	—	(27,706)	—	—	—	—	(27,706)
Profit for the year	—	—	—	—	—	193,056	193,056
Other comprehensive loss for the year							
Exchange differences on translation of foreign operations	—	—	—	—	(476)	—	(476)
Total comprehensive income for the year	—	—	—	—	(476)	193,056	192,580
Appropriations to statutory surplus reserves	—	—	—	49,170	—	(49,170)	—
Interim 2020 dividend (Note 11)	—	(34,928)	—	—	—	—	(34,928)
As at 31 December 2020	<u>3,677</u>	<u>551,155</u>	<u>184,787</u>	<u>173,113</u>	<u>(813)</u>	<u>850,468</u>	<u>1,762,387</u>

* These reserve accounts comprise the consolidated reserves of RMB1,758,710,000 (2019: RMB1,014,975,000) in the consolidated statement of financial position as at 31 December 2020.

** The balance represents an amount less than RMB1,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		198,006	126,285
Adjustments for:			
Finance costs	6	55,761	48,721
Bank interest income	5	(2,657)	(859)
Gain on disposal of items of property, plant and equipment	5	198	—
Government grants released		(52,057)	(53,411)
(Reversal of provision)/provision for impairment of accounts receivable	7, 17	(623)	464
Depreciation	7, 13	55,231	51,249
Amortisation of other intangible assets	7, 15	756	549
Depreciation of right-of-use assets	7, 14	15,137	15,134
		<u>269,752</u>	<u>188,132</u>
Receipt of government grants		39,252	34,121
Decrease/(increase) in prepayments and other receivables		1,822	(154)
Decrease/(increase) in accounts receivable		2,096	(1,527)
(Decrease)/increase in other payables and accruals		(1,618)	15,482
Increase in contract liabilities		40,033	47,100
		<u>351,337</u>	<u>283,154</u>
Cash generated from operations			
Interest received	5	2,657	859
Tax paid		(147,537)	(4,844)
		<u>206,457</u>	<u>279,169</u>
CASH FLOWS USED IN INVESTING ACTIVITIES			
Increase in unpledged time deposits with original maturity of more than three months		(168,328)	—
Purchases of items of property, plant and equipment		(344,721)	(350,629)
Proceeds from disposal of items of property, plant and equipment		396	—
Receipt of government grants for property, plant and equipment		24,748	17,070
Purchase of other intangible assets	15	—	(540)
		<u>(487,905)</u>	<u>(334,099)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceeds from issue of shares		535,782	—
Proceeds from the over-allotment option		81,684	—
Share issue expenses		(24,996)	—
New interest-bearing bank borrowings		555,822	214,600
Repayment of interest-bearing bank borrowings		(562,500)	(210,000)
Payment of dividends		(34,489)	—
Repayment to a related company	29	—	(821)
Interest paid		(58,429)	(56,060)
Net cash flows from/(used in) financing activities		492,874	(52,281)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		211,426	(107,211)
Cash and cash equivalents at beginning of year		334,867	442,078
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	546,293	334,867
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	546,293	334,867
Unpledged time deposits with original maturity of more than three months		168,328	—
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION		714,621	334,867
Unpledged time deposits with original maturity of more than three months		(168,328)	—
CASH AND CASH EQUIVALENTS AS STATED IN THE STATEMENT OF CASH FLOWS	19	546,293	334,867

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 8 May 2018 as an exempted company with limited liability under the laws of the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the “Group”) principally provided higher education services (collectively the “Listing Business”) in the People’s Republic of China (the “PRC”).

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 16 January 2020 (the “Listing Date”).

In the opinion of the directors of the Company, the ultimate controlling shareholders of the Company are Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan and Mr. Shi Yinjie (collectively, the “Controlling Shareholders”).

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

Name	Notes	Place and date of incorporation/establishment and place of operations	Nominal value of registered share capital	Percentage of equity attributable to the Company	Principal activities
Directly held:					
Shanghai Gench Education Holdings Limited		British Virgin Islands (“BVI”) 15 May 2018	US\$1	100%	Investment holding
Indirectly held:					
Gench Education Group (Hong Kong) Limited (“Gench HK”)		Hong Kong 1 June 2018	HK\$1	100%	Investment holding
Gench Education Group US, Inc (“Gench US”)		United States 13 August 2018	No par value	100%	Degree-granting higher education institution
Wangting Education Technology (Shanghai) Limited 望亭教育科技(上海)有限公司 (“Gench WFOE”)*	(2)	PRC/Mainland China 31 October 2018	RMB10,000,000	100%	Investment holding
Shanghai Jianqiao (Group) Co., Ltd. 上海建橋(集團)有限公司 (“Jian Qiao Group”)**	(1), (2)	PRC/Mainland China 7 November 2000	RMB175,000,000	100%	Investment holding
Shanghai Jian Qiao Investment Development Co., Ltd. 上海建橋投資發展有限公司 (“Jian Qiao Investment”)**	(1), (2)	PRC/Mainland China 3 August 1999	RMB37,500,000	100%	Investment holding
Shanghai Jian Qiao University 上海建橋學院 (“Jian Qiao University”)	(1), (2)	PRC/Mainland China 28 June 2000	RMB50,000,000	100%	Provision of common undergraduate education services
Shanghai Jian Qiao University Co., Ltd. 上海建橋學院有限責任公司 (“Jian Qiao University Company”)**	(1), (2), (3)	PRC/Mainland China 28 September 2020	RMB50,000,000	100%	Provision of common undergraduate education services

* The entity is registered as a wholly-foreign-owned enterprise under PRC law.

** The entities are registered as limited liability companies under PRC law.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

1. CORPORATE INFORMATION — *continued*

Information about subsidiaries — *continued*

- (1) These entities are owned through contractual arrangements.
- (2) The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English name.
- (3) The Group was conducting an internal restructuring to convert the PRC operating school of the Group into a for-profit private school (“Conversion”) to comply with the Decision on Amending the Law for Promoting Private Education of the PRC approved by the Standing Committee of the National People’s Congress in November 2016 and took effect on 1 September 2017 (“2016 Decision”) and related implementing rules.

During the year ended 31 December 2020, the Group has started the Conversion process and established Jian Qiao University Company, as a for-profit private school. The Conversion process includes but not limited to transferring all the assets and liabilities of Jian Qiao University to Jian Qiao University Company, applying for formal school operating permit for Jian Qiao University Company and de-registering Jian Qiao University which is required to be completed by the end of 2021. As at 31 December 2020, as part of the Conversion process, Jian Qiao University has changed the ownership of its leasehold land and buildings and facilities to Jian Qiao University Company.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) promulgated by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The Group recorded net current liabilities of RMB160,806,000 as at 31 December 2020. The directors of the Company (the “Directors”) have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as going concern.

The Directors believe that the Group has sufficient cash flows from the operations and current available banking facilities to meet its liabilities as and when they fall due. Therefore, the financial statements are prepared on a going concern basis.

Basis of consolidation

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2.1 BASIS OF PREPARATION — *continued*

Basis of consolidation — *continued*

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3

Amendments to IFRS 9, IAS 39 and IFRS 7

Amendment to IFRS 16

Amendments to IAS 1 and IAS 8

Definition of a Business

Interest Rate Benchmark Reform

Covid-19-Related Rent Concessions (early adopted)

Definition of Material

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES — *continued*

The nature and impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

- a) *Conceptual Framework for Financial Reporting 2018* (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES — *continued*

- e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 3	<i>Reference to the Conceptual Framework²</i>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform — Phase 2¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
IFRS 17	<i>Insurance Contracts³</i>
Amendments to IFRS 17	<i>Insurance Contracts^{3,5}</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current³</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use²</i>
Amendments to IAS 1	<i>Disclosure of Accounting Policies³</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates³</i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract²</i>
<i>Annual Improvements to IFRS Standards 2018–2020</i>	<i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41²</i>

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ No mandatory effective date yet determined but available for adoption

⁵ As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS — *continued*

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS — *continued*

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Related parties

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

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Buildings and facilities	2%
Motor vehicles	9.5%
Furniture and fixtures	9.5% to 19.0%
Devices and equipment	10% to 25%

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

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

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Intangible assets (other than goodwill)

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

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 5 years.

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	50 years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Leases — *continued*

Group as a lessee — continued

(b) Lease liabilities

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Leases — *continued*

Group as a lessor

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

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

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Investments and other financial assets — *continued*

Initial recognition and measurement — continued

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Derecognition of financial assets

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Impairment of financial assets — *continued*

Simplified approach

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

For accounts receivable that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables as appropriate.

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

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank borrowings.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Offsetting of financial instruments

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

Provisions

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

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

Income tax

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

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

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Income tax — *continued*

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Government grants

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

When the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

When the grant relates to neither an expense item nor an asset, it is released to the statement to the profit or loss upon receipt.

Revenue recognition

Revenue from contracts with customers

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

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

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

a) Tuition and boarding fees

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

Income from other services provided by the Group is recognised when the relevant service is provided.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Revenue recognition — *continued*

Revenue from contracts with customers — continued

b) Other income

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

Rental income is recognised on a time proportion basis over the lease terms.

Contract liabilities

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

Employee retirement benefits

Pension scheme

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The capitalisation rate ranging between 4.46% and 4.66% has been applied to the expenditure on the qualifying assets during the year ended 31 December 2020 (2019: 4.66%).

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — *continued*

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The Company incorporated in the Cayman Islands uses the Hong Kong dollar as its functional currency. As the Group mainly operates in Mainland China, RMB is used as the presentation currency of the Company. As at the end of the reporting period, the assets and liabilities of the Company and certain overseas subsidiaries, which use currencies other than RMB as their functional currencies, are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Contractual arrangements

Certain subsidiaries are engaged in the provision of education services, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" and foreign investors are prohibited to invest in such business.

The Group exercises control over these subsidiaries and enjoys all economic benefits of certain subsidiaries through a series of contractual arrangements.

The Group considers that it controls these subsidiaries, notwithstanding the fact that it does not hold direct equity interest in the certain subsidiaries, as it has power over the financial and operating policies of certain subsidiaries and receives substantially all of the economic benefits from the business activities of these subsidiaries through the contractual arrangements. Accordingly, these subsidiaries have been accounted for subsidiaries during the year.

Income tax

Significant judgement is required in interpreting the relevant tax rules and regulations so as to determine whether the Group is subject to corporate income tax in respect of income from the provision of formal educational services. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact the tax expense in the period that such determination is made.

Estimation uncertainty

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES — *continued*

Estimation uncertainty — continued

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on accounts receivable

The Group uses a provision matrix to calculate ECLs for accounts receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the education sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's accounts receivable is disclosed in note 17 to the financial statements.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances. Further details of the property, plant and equipment are set out in note 13 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

4. OPERATING SEGMENT INFORMATION

The Group principally provides higher education services in the PRC.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the Directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the Directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the year, the Group operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no further geographical information is presented.

Information about major customers

No services provided to a single customer contributed to 10% or more of the total revenue of the Group during the year.

5. REVENUE, OTHER INCOME AND GAIN

An analysis of revenue, other income and gain is as follows:

	2020	2019
	RMB'000	RMB'000
Revenue from contracts with customers		
Tuition fees	493,381	429,583
Boarding fees	47,668	66,002
Others	13,846	5,857
Total revenue from contracts with customers	554,895	501,442

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

5. REVENUE, OTHER INCOME AND GAIN — *continued*

(i) Disaggregated revenue information

	2020 RMB'000	2019 RMB'000
Recognised over time		
Tuition fees	493,381	429,583
Boarding fees	47,668	66,002
Education related services	7,883	—
	<u>548,932</u>	<u>495,585</u>
Recognised at a point in time		
Education related services	5,963	5,857
	<u>5,963</u>	<u>5,857</u>

(ii) Performance obligations — Education services

The performance obligation is satisfied over time as services are rendered and tuition fees, boarding fees and education related services are generally paid in advance prior to the beginning of each academic year.

	2020 RMB'000	2019 RMB'000
Other income		
Bank interest income	2,657	859
Operating lease income from operators of supermarkets, snap shops, etc. in the school campus	3,480	5,855
Government grants (note 24)	21,474	2,477
Others	116	—
	<u>27,727</u>	<u>9,191</u>
Gain		
Gain on disposal of items of property, plant and equipment	198	—
	<u>198</u>	<u>—</u>
	<u>27,925</u>	<u>9,191</u>

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on bank loans	58,051	56,328
Less: Interest capitalised	(2,290)	(7,607)
	<u>55,761</u>	<u>48,721</u>

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2020 RMB'000	2019 RMB'000
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages, salaries and other allowances		160,671	148,105
Pension scheme contributions and social welfare		19,982	19,709
		<u>180,653</u>	<u>167,814</u>
Depreciation of property, plant and equipment	13	55,231	51,249
Depreciation of right-of-use assets	14	15,137	15,134
Amortisation of other intangible assets	15	756	549
Listing expense		9,498	25,394
Auditors' remuneration		3,120	2,130
Impairment of financial assets, net (Reversal of provision)/provision for impairment of accounts receivable	17	(623)	464

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 RMB'000	2019 RMB'000
Fees	549	—
Other emoluments:		
Salaries, allowances and benefits in kind	2,482	2,200
Performance-related bonuses	380	280
Pension scheme contributions and social welfare	86	132
Total	3,497	2,612

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2020 RMB'000	2019 RMB'000
Mr. Chen Baizhu	183	—
Mr. Hu Rongen	183	—
Ms. Liu Tao	183	—
Total	549	—

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION — *continued*

(b) Executive directors and non-executive directors

Year ended 31 December 2020

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance- related bonuses RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Executive directors:					
— Mr. Zhou Xingzeng	—	900	200	86	1,186
— Mr. Zheng Xiangzhan	—	800	180	—	980
— Mr. Shi Yinjie	—	600	—	—	600
	—	2,300	380	86	2,766
Non-executive directors:					
— Mr. Du Jusheng*	—	—	—	—	—
— Mr. Zhao Donghui	—	182	—	—	182
	—	182	—	—	182
	—	2,482	380	86	2,948

Year ended 31 December 2019

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance- related bonuses RMB'000	Pension scheme contributions and social welfare RMB'000	Total remuneration RMB'000
Executive directors:					
— Mr. Zhou Xingzeng	—	900	150	132	1,182
— Mr. Zheng Xiangzhan	—	800	130	—	930
— Mr. Shi Yinjie	—	500	—	—	500
	—	2,200	280	132	2,612
Non-executive director:					
— Mr. Zhao Donghui	—	—	—	—	—
	—	—	—	—	—
	—	2,200	280	132	2,612

* The Company appointed Mr. Du Jusheng as a non-executive director of the Company on 24 July 2020.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the year ended 31 December 2020 included three directors (2019: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2019: three) highest paid employees who are neither a director nor chief executive of the Company, are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	1,524	2,073
Performance-related bonuses	200	250
Pension scheme contributions and social welfare	79	112
Total	1,803	2,435

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Numbers of employees	
	2020	2019
Nil to HK\$500,000	—	—
HK\$500,001 to HK\$1,000,000	—	2
HK\$1,000,001 to HK\$1,500,000	2	1
Total	2	3

10. INCOME TAX

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax from business carried out in the Cayman Islands.

The Company's directly held subsidiary is incorporated in the BVI as an exempted company with limited liability under the Companies Law of the BVI and accordingly is not subject to income tax from business carried out in the BVI.

The Group was not liable for income tax in Hong Kong and the United States as the Group had no assessable profits derived from or earned in Hong Kong and the United States during the year.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

10. INCOME TAX — *continued*

According to the Implementation Rules for the Law for Promoting Private Education (the “Implementation Rules”), private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the financing authority, taxation authority and other authorities under the State Council. During the year and up to the date of approval of this report, no separate policies, regulations or rules have been promulgated by such authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the compliance confirmation obtained therefrom, the Group’s university did not pay corporate income tax for the provision of formal educational services and has enjoyed the preferential tax treatment since its establishment. As a result, no income tax expense was recognised for the income from the provision of formal educational services during the year.

As set out in note 1 of the financial statements, the Group was conducting an internal restructuring to convert the existing PRC operating schools of the Group into the for-profit schools (the “Conversion”) to comply with the 2016 Decision and related implementing rules. As of balance sheet date, in light of the applicable rules and regulations regarding the Conversion have not yet been published by the relevant local authorities, the applicable potential tax liability could not be reasonably estimated. However, based on the currently available information and best knowledge, the directors of the Company believes that the amount or range of reasonably potential tax liabilities, which the Group may be exposed to, will not have a material adverse effect on the Group’s business, financial position, result of operations or cash flows. The Directors will make continuous reviews and assessment based on the progress development of the Conversion, and will disclose the potential tax implications associated with the Conversion in the 2021 interim and annual financial statements.

The non-academic education services provided by the university of the Group is subject to corporate income tax at a rate of 25%.

All of the Group’s non-school subsidiaries operating in Mainland China are subject to the PRC corporate income tax of 25% during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The major components of income tax expense of the Group are as follows:

	2020	2019
	RMB'000	RMB'000
Current — Mainland China:	4,604	1,144
Deferred (note 16)	346	(279)
Total tax charge for the year	4,950	865

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

10. INCOME TAX — *continued*

A reconciliation of tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, during the year are as follows:

	2020 RMB'000	2019 RMB'000
Profit before tax	198,006	126,285
At the statutory income tax rate	53,106	37,569
Expenses not deductible for tax	536	79
Profits arising from school not subject to tax	(49,537)	(38,084)
Tax losses utilised from previous years	—	(3)
Tax losses not recognised	845	1,304
Tax charge at the Group's effective rate	4,950	865

11. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Interim — HK\$0.10 (2019: Nil) per ordinary share	34,928	—

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of RMB193,056,000 (2019: RMB125,420,000), and the weighted average number of ordinary shares of 409,221,311 (2019: 300,000,000) in issue during the year, as adjusted for the assumption that 299,990,000 new shares issued pursuant to the Capitalisation Issue (as defined in note 25) had been completed throughout 2020 and 2019.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT — *continued*

The calculations of basic and diluted earnings per share are based on:

	2020 RMB'000	2019 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	193,056	125,420
Shares		
Issue of shares on 8 May 2018	10,000	10,000
Effect of the Capitalisation Issue on 16 January 2020	299,990,000	299,990,000
Effect of the IPO (excluding shares issued under the over-allotment option) on 16 January 2020	95,901,639	—
Effect of the over-allotment option on 11 February 2020	13,319,672	—
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculations	409,221,311	300,000,000

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings and facilities RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Devices and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020						
At 31 December 2019 and 1 January 2020:						
Cost	1,821,244	13,430	35,590	64,248	98,299	2,032,811
Accumulated depreciation	(141,490)	(9,768)	(18,840)	(42,292)	—	(212,390)
Net carrying amount	<u>1,679,754</u>	<u>3,662</u>	<u>16,750</u>	<u>21,956</u>	<u>98,299</u>	<u>1,820,421</u>
At 1 January 2020, net of accumulated depreciation	1,679,754	3,662	16,750	21,956	98,299	1,820,421
Additions	3,215	—	7,189	6,925	93,079	110,408
Transfers	150,906	—	—	—	(150,906)	—
Disposal	—	(198)	—	—	—	(198)
Depreciation provided during the year	(37,105)	(711)	(6,177)	(11,238)	—	(55,231)
At 31 December 2020, net of accumulated depreciation	<u>1,796,770</u>	<u>2,753</u>	<u>17,762</u>	<u>17,643</u>	<u>40,472</u>	<u>1,875,400</u>
At 31 December 2020:						
Cost	1,975,365	12,606	42,779	71,173	40,472	2,142,395
Accumulated depreciation	(178,595)	(9,853)	(25,017)	(53,530)	—	(266,995)
Net carrying amount	<u>1,796,770</u>	<u>2,753</u>	<u>17,762</u>	<u>17,643</u>	<u>40,472</u>	<u>1,875,400</u>

As at 31 December 2020, the original cost of the Group's property, plant and equipment of RMB220,180,000 (2019: RMB194,440,000) was net off by the government grants received (note 24).

Included in the property, plant and equipment were buildings with a net carrying amount of RMB163,551,000 (2019: RMB189,268,000), for which the property certificates have not been obtained as at 31 December 2020.

As set out in note 1 of the financial statements, as part of the Conversion process, Jian Qiao University had transferred its buildings and facilities to Jian Qiao University Company with a net carrying amount of RMB1,633,219,000.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

13. PROPERTY, PLANT AND EQUIPMENT — *continued*

	Buildings and facilities RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Devices and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2019						
At 31 December 2018 and 1 January 2019:						
Cost	1,632,351	13,430	29,232	57,811	79,844	1,812,668
Accumulated depreciation	(108,073)	(8,738)	(14,302)	(30,028)	—	(161,141)
Net carrying amount	<u>1,524,278</u>	<u>4,692</u>	<u>14,930</u>	<u>27,783</u>	<u>79,844</u>	<u>1,651,527</u>
At 1 January 2019, net of accumulated depreciation						
Additions	—	—	1,633	5,802	212,708	220,143
Transfers	188,893	—	4,725	635	(194,253)	—
Depreciation provided during the year	(33,417)	(1,030)	(4,538)	(12,264)	—	(51,249)
At 31 December 2019, net of accumulated depreciation	<u>1,679,754</u>	<u>3,662</u>	<u>16,750</u>	<u>21,956</u>	<u>98,299</u>	<u>1,820,421</u>
At 31 December 2019:						
Cost	1,821,244	13,430	35,590	64,248	98,299	2,032,811
Accumulated depreciation	(141,490)	(9,768)	(18,840)	(42,292)	—	(212,390)
Net carrying amount	<u>1,679,754</u>	<u>3,662</u>	<u>16,750</u>	<u>21,956</u>	<u>98,299</u>	<u>1,820,421</u>

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

14. LEASES

The Group as a lessee

Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land RMB'000
As at 1 January 2019	673,454
Additions	—
Depreciation charge	(15,134)
As at 31 December 2019 and 1 January 2020	658,320
Additions	206
Depreciation charge	(15,137)
As at 31 December 2020	643,389

As set out in note 1 of the financial statements, as part of the Conversion process, Jian Qiao University had transferred its leasehold land to Jian Qiao University Company with a net carrying amount of RMB643,389,000.

The Group as a lessor

The Group leases its school campus area under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB3,480,000 (2019: RMB5,855,000), details of which are included in note 5 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivable by the Group in the future periods under non-cancellable operating leases with its tenants are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	1,620	4,957
In the second to fifth years, inclusive	240	12,735
After five years	—	3,250
	1,860	20,942

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

15. OTHER INTANGIBLE ASSETS

	2020 RMB'000	2019 RMB'000
Software		
Cost at 1 January, net of accumulated amortisation	1,853	1,862
Additions	—	540
Amortisation provided during the year	(756)	(549)
At 31 December	<u>1,097</u>	<u>1,853</u>
At 31 December:		
Cost	3523	3,523
Accumulated amortisation	(2,426)	(1,670)
Net carrying amount	<u>1,097</u>	<u>1,853</u>

16. DEFERRED TAX

The movements in deferred tax assets during the year are as follows:

Deferred tax assets

	Amortisation RMB'000	Impairment of financial assets RMB'000	Total RMB'000
At 1 January 2019	—	67	67
Deferred tax credited to profit or loss during the year (note 10)	176	103	279
At 31 December 2019 and 1 January 2020	176	170	346
Deferred tax charged to profit or loss during the year (note 10)	(176)	(170)	(346)
At 31 December 2020	<u>—</u>	<u>—</u>	<u>—</u>

The Group has accumulated tax losses arising in Mainland China of approximately RMB6,129,000 (2019: RMB23,249,000) which are available for offsetting against future taxable profits in one to five years.

Deferred tax assets have not been recognised in respect of the losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the taxable losses can be utilised.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

16. DEFERRED TAX — *continued*

Deferred tax assets — *continued*

Deferred tax assets that have not been recognised in respect of the following items:

	2020 RMB'000	2019 RMB'000
Tax losses	6,129	23,249

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB1,062,244,000 as at 31 December 2020.

17. ACCOUNTS RECEIVABLE

	2020 RMB'000	2019 RMB'000
Tuition and boarding fees receivable	3,568	5,664
Impairment	(57)	(680)
	<u>3,511</u>	<u>4,984</u>

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in August. The outstanding receivables represent amounts related to students who have applied for student loans. There is no fixed term for delayed payments. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

17. ACCOUNTS RECEIVABLE — *continued*

An ageing analysis of the accounts receivable as at the end of the reporting period, based on the transaction date and net of loss allowance, is as follows:

	2020 RMB'000	2019 RMB'000
Accounts receivable:		
Within 1 year	2,821	2,205
1 to 2 years	574	1,953
2 to 3 years	107	647
Over 3 years	9	179
	<u>3,511</u>	<u>4,984</u>

The movements in the loss allowance for impairment of accounts receivable are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of year	680	266
Amount written off as uncollectible	—	(50)
(Reversal of provision)/provision for impairment losses, net (note 7)	(623)	464
At end of year	<u>57</u>	<u>680</u>

The decrease (2019: increase) in the loss allowance was due to the significant changes in the gross carrying amount of the accounts receivables which were past due.

The outstanding receivables represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. There is no fixed term for delayed payments. In view of the aforementioned and the fact that the Group's accounts receivable related to a large number of individual students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

17. ACCOUNTS RECEIVABLE — *continued*

Set out below is the information about the credit risk exposure on the Group's accounts receivable using a provision matrix:

Tuition fees receivable

31 December 2020

Collective assessment	Less than			Over	Total
	12 months	13–24 months	25–36 months	36 months	
Expected credit loss rate	0.49%	4.44%	13.68%	47.06%	2.11%
Gross carrying amount (RMB'000)	2,021	496	117	17	2,651
Expected credit losses (RMB'000)	10	22	16	8	56

31 December 2019

Collective assessment	Less than			Over	Total
	12 months	13–24 months	25–36 months	36 months	
Expected credit loss rate	0.84%	9.01%	24.07%	69.83%	14.06%
Gross carrying amount (RMB'000)	1,556	2,035	730	422	4,743
Expected credit losses (RMB'000)	13	183	176	295	667

Boarding fees receivable

31 December 2020

Collective assessment	Less than			Over	Total
	12 months	13–24 months	25–36 months	36 months	
Expected credit loss rate	0.06%	0.99%	2.42%	7.50%	0.11%
Gross carrying amount (RMB'000)	810	101	6	—	917
Expected credit losses (RMB'000)	—	1	—	—	1

31 December 2019

Collective assessment	Less than			Over	Total
	12 months	13–24 months	25–36 months	36 months	
Expected credit loss rate	0.15%	1.00%	2.42%	14.81%	1.41%
Gross carrying amount (RMB'000)	663	102	95	61	921
Expected credit losses (RMB'000)	1	1	2	9	13

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

18. PREPAYMENTS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
<i>Current portion:</i>		
Prepayments to suppliers	1,368	4,791
Receivables from staff	2,072	3,791
Other receivables and deposits	559	425
	<u>3,999</u>	<u>9,007</u>
<i>Non-current portion:</i>		
Prepayment for property, plant and equipment	142,265	9,926
	<u>142,265</u>	<u>9,926</u>

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment. There was no loss allowance made for impairment of other receivables during the year.

As at 31 December 2020, the internal credit rating of other receivables from third parties and others was regarded as the grade of performing. The Group has assessed that the credit risk of these receivables has not increased significantly since initial recognition and measured the impairment based on 12-month expected credit losses, and has assessed that the expected credit losses were immaterial.

19. CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Cash and bank balances	546,293	334,867
Time deposits	168,328	—
Cash and cash equivalents	<u>714,621</u>	<u>334,867</u>

At 31 December 2020, the cash and bank balances of the Group denominated in RMB amounted to RMB546,293,000. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

20. OTHER PAYABLES AND ACCRUALS

	Notes	2020 RMB'000	2019 RMB'000
Payables for purchase of property, plant and equipment		3,506	3,633
Payables for construction projects		35,029	112,824
Other tax payable (other than income tax and land appreciate tax)		1,683	1,011
Miscellaneous advances received from students	(i)	31,565	30,641
Accrued bonuses and other employee benefits		35,685	27,890
Accrued interest expenses	27	1,140	1,518
Other payables		7,756	18,765
		<u>116,364</u>	<u>196,282</u>

- (i) The advances represented expenses relating to textbooks, military training, medical examination, insurance, etc. collected from students which will be paid on behalf of the students.

The above balances are unsecured, non-interest-bearing and repayable on demand.

21. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at the end of the reporting period, and are expected to be recognised as revenue within one year:

	2020 RMB'000	2019 RMB'000
Tuition fees	289,072	257,661
Boarding fees	58,169	49,547
Total contract liabilities	<u>347,241</u>	<u>307,208</u>

The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the relevant period of the respective program. The students are entitled to the refund of payments in relation to the proportionate services not yet rendered.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

21. CONTRACT LIABILITIES — *continued*

Significant changes in contract liabilities during the year are as follows:

	2020 RMB'000	2019 RMB'000
At the beginning of the year	307,208	260,108
Revenue recognised that was included in the contract liabilities at the beginning of the year	(307,208)	(260,108)
Increase due to cash received, excluding amounts recognised as revenue during the year	347,241	307,208
At the end of the year	347,241	307,208

There were no contract assets at the end of each reporting period recognised in the consolidated statement of financial position.

22. TAX PAYABLE

	2020 RMB'000	2019 RMB'000
Income tax payables	4,659	147,592

In August 2015, the Group had disposed of its old campus buildings and land to an independent third party for a total consideration of RMB1,960,779,000, among which the consideration for the acquisition into the land reserve (“土地收購儲備”) amounted to RMB1,022,539,000 and the consideration of acquisition of assets amounted to RMB938,240,000. As at 31 December 2019, included in the income tax payables was an amount of RMB147,196,000 which was calculated based on the consideration received from the acquisition into the land reserve, after deducting the carrying amount of the assets disposed of and moving expenses, at the tax rate of 25%. The above income tax payables have been deferred for settlement up to five years from the date of disposal according to the relevant tax regulation. During the year ended 31 December 2020, the relevant income tax has been settled.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

23. INTEREST-BEARING BANK BORROWINGS

	2020			2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — secured	3.48–4.30	2021	305,822	4.35	2020	100,000
Current portion of long term bank loans — secured	4.66–5.46	2021	106,000	4.66–5.94	2020	175,000
			<u>411,822</u>			<u>275,000</u>
Non-current						
Bank loans — secured	4.66–5.46	2022–2026	712,780	4.66–5.94	2021–2026	856,280
			<u>712,780</u>			<u>856,280</u>
			<u>1,124,602</u>			<u>1,131,280</u>

	2020 RMB'000	2019 RMB'000
Analysed into:		
Repayable within one year	<u>411,822</u>	<u>275,000</u>
Repayable in the second year	155,500	167,000
Repayable within two to five years	557,280	523,000
Repayable beyond five years	—	166,280
	<u>712,780</u>	<u>856,280</u>
	<u>1,124,602</u>	<u>1,131,280</u>

The Group's bank borrowings are all denominated in RMB.

The Group's bank borrowings of RMB874,602,000 as at 31 December 2020 (2019: RMB1,031,280,000) were borrowings with floating interest rates.

As at 31 December 2020, the Group's bank borrowings of RMB681,280,000 (2019: RMB766,280,000) were secured by the Group's rights over tuition fees and boarding fees.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

23. INTEREST-BEARING BANK BORROWINGS — *continued*

Certain of the Group's bank borrowings are guaranteed by the following related parties:

	2020 RMB'000	2019 RMB'000
	(Amount of bank borrowings guaranteed)	
Name of related parties (as defined in note 29)		
Jointly, Jian Qiao Assets Management, Mr. Zhou Xingzeng and Ms. Huang Xiaomei	471,680	551,680
Jointly, Jian Qiao Assets Management and Mr. Zhou Xingzeng	209,600	214,600
Jointly, Mr. Zhou Xingzeng and Ms. Huang Xiaomei	—	185,000
	681,280	951,280

24. DEFERRED INCOME

	Notes	2020 RMB'000	2019 RMB'000
At beginning of year		42,387	85,913
Received during the year		64,000	51,191
Deduction of the carrying amount of the assets (note 13)	(1)	(25,740)	(41,306)
Deduction of the related expense	(2)	(30,583)	(50,934)
Recognised in other income (note 5)	(3)	(21,474)	(2,477)
At end of year		28,590	42,387
Current		2,412	17,065
Non-current		26,178	25,322
		28,590	42,387

- (1) The grants are related to the improvement of teaching facilities on certain special projects. Upon completion of the related projects, the grants related to an asset would be deducted from the carrying amount of the assets.
- (2) The grants are mainly related to the subsidies received from the government for the purpose of subsidising students and government promoted programs. Upon completion of the related activities, the grants would be released to profit or loss and deducted from the related expenditure to which they relate. Government grants received for which expenditure has not yet been undertaken are included in deferred income.
- (3) The grants mainly represent the tax refund from the local government recognised in other income and gains upon receipt. There are no unfulfilled conditions or contingencies relating to these grants.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

25. SHARE CAPITAL

	2020	2019
Number of ordinary shares		
Authorised:		
Ordinary shares of HK\$0.01 each	500,000,000	500,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each	415,000,000	10,000
	2020	2019
	RMB'000	RMB'000
Authorised:		
Ordinary shares of HK\$0.01 each	4,462	4,462
Issued and fully paid:		
Ordinary shares of HK\$0.01 each	3,677	—

A summary of movements in the Group's issued capital during the year is as follows:

	Notes	Number of shares in issue	Issued capital RMB'000
Before the capitalisation issue		10,000	—
Capitalisation issue	(a)	299,990,000	2,656
Global offering (excluding shares issued under the over-allotment option)	(b)	100,000,000	886
Over-allotment	(c)	15,000,000	135
As at 31 December 2020		415,000,000	3,677

- (a) On 16 January 2020, a total of 299,990,000 shares were issued by way of capitalisation (the "Capitalisation Issue") with a par value HK\$0.01 each, and the respective share capital amount was approximately RMB2,656,000.
- (b) On 16 January 2020, 100,000,000 shares of HK\$0.01 each of the Company were issued at HK\$6.05 by way of placing and public offering and the Company's shares were listed on the Main Board of the Stock Exchange. The proceeds of HK\$1,000,000 (approximately RMB886,000), representing the par value, have been credited to the Company's share capital, and the remaining proceeds of HK\$604,000,000 (approximately RMB534,896,000) have been credited to the share premium account.
- (c) On 11 February 2020, the Company further issued 15,000,000 ordinary shares of HK\$0.01 each at a subscription price of HK\$6.05 per share pursuant to the exercise of over-allotment option, resulting in a share premium of RMB81,549,000, representing the difference between the subscription price and nominal value of the Company's ordinary shares before netting off the share issue cost.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

26. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(a) Share premium reserve

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

(b) Capital reserve

The capital reserve of the Group represents the capital contribution from the then equity holders of the Group's subsidiaries, after elimination of investments in subsidiaries. The additions during the year ended 31 December 2020 represent the injection of additional paid-up capital by the then equity holders of the Group's subsidiaries.

(c) Statutory surplus reserves

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserves include (i) the general reserve of the limited liability companies and (ii) the development fund of schools.

- (i) In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.
- (ii) According to the relevant PRC laws and regulations, for private schools that require for reasonable returns, it is required to appropriate the development fund of not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

27. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Dividend payable RMB'000	Interest-bearing bank borrowings RMB'000	Due to related companies RMB'000	Interest payable RMB'000
At 1 January 2019	—	1,126,680	821	1,250
Cash flows from/(used in) financing activities	—	4,600	(821)	(56,060)
Interest expense	—	—	—	48,721
Interest capitalised	—	—	—	7,607
At 31 December 2019	—	1,131,280	—	1,518
Cash flows used in financing activities	(34,489)	(6,678)	—	(58,429)
Interim dividend declaration	34,928	—	—	—
Interest expense	—	—	—	55,761
Interest capitalised	—	—	—	2,290
At 31 December 2020	439	1,124,602	—	1,140

28. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	214,370	800
Authorised, but not contracted for:		
Property, plant and equipment	71,750	—

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

29. RELATED PARTY TRANSACTIONS

(1) Name and relationship

The directors of the Group are of the opinion that the following parties/companies are related parties that had transactions or balances with the Group during the year:

Name of related party	Relationship with the Group
Mr. Zhou Xingzeng	Chairman and one of the ultimate shareholders
Ms. Huang Xiaomei	Spouse of Mr. Zhou Xingzeng
上海建之橋企業發展有限公司 ("Jian Zhi Qiao Development")	A company controlled by the ultimate shareholders
建橋集團資產管理有限公司 ("Jian Qiao Assets Management")	A subsidiary of Jian Zhi Qiao Management

(2) Transactions with related parties

	2020 RMB'000	2019 RMB'000
Repayment to a related company		
Jian Zhi Qiao Development	—	821
	—	821

(i) The transaction was carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(3) Other transactions with related parties

Certain of the Group's bank borrowings are guaranteed by the following related parties:

	2020 RMB'000	2019 RMB'000
	(Amount of bank borrowings guaranteed)	
Name of related parties		
Jointly, Jian Qiao Assets Management, Mr. Zhou Xingzeng and Ms. Huang Xiaomei	471,680	551,680
Jointly, Jian Qiao Assets Management and Mr. Zhou Xingzeng	209,600	214,600
Jointly, Mr. Zhou Xingzeng and Ms. Huang Xiaomei	—	185,000
	681,280	951,280

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

29. RELATED PARTY TRANSACTIONS — *continued*

(4) Compensation of key management personnel of the Group:

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	4,396	4,375
Pension scheme contributions	97	223
	<u>4,493</u>	<u>4,598</u>

Further details of directors' emoluments are included in note 8 to the financial statements.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

31 December 2020

Financial assets

	Financial assets at amortised cost RMB'000	Total RMB'000
Accounts receivable	3,511	3,511
Financial assets included in prepayments and other receivables (note 18)	2,631	2,631
Cash and cash equivalents	714,621	714,621
	<u>720,763</u>	<u>720,763</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals (note 20)	78,996	78,996
Dividend payable	439	439
Interest-bearing bank borrowings	1,124,602	1,124,602
	<u>1,204,037</u>	<u>1,204,037</u>

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

30. FINANCIAL INSTRUMENTS BY CATEGORY — *continued*

31 December 2019

Financial assets

	Financial assets at amortised cost RMB'000	Total RMB'000
Accounts receivable	4,984	4,984
Financial assets included in prepayments and other receivables (note 18)	4,216	4,216
Cash and cash equivalents	334,867	334,867
	<u>344,067</u>	<u>344,067</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals (note 20)	167,381	167,381
Interest-bearing bank borrowings	1,131,280	1,131,280
	<u>1,298,661</u>	<u>1,298,661</u>

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments as at the end of reporting period, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Financial liabilities				
Interest-bearing bank borrowings (note 23)	<u>1,124,602</u>	<u>1,131,280</u>	<u>1,143,786</u>	<u>1,165,662</u>

Management has assessed that the fair values of accounts receivable, financial assets included in prepayments and other receivables, cash and cash equivalents, financial liabilities included in other payables and accruals and an amount due to a related company approximate to their carrying amounts largely due to the short term maturities of these instruments.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

— *continued*

The Group's corporate finance team headed by the chief finance officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At the end of the reporting period, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors twice a year for annual financial reporting.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Liabilities measured at fair value:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 31 December 2020				
Interest-bearing bank borrowings	—	1,143,786	—	1,143,786
As at 31 December 2019				
Interest-bearing bank borrowings	—	1,165,662	—	1,165,662

The fair value of the interest-bearing bank borrowings has been calculated by discounting the expected future cash flows using rates currently available with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2020 was assessed to be insignificant.

The Group's principal financial instruments mainly include financial assets included in prepayments and other receivables, accounts receivable, cash and cash equivalents and financial liabilities included in other payables and accruals, which arise directly from its operations. The Group has other financial assets and liabilities such as amounts with related companies and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group did not have any financial assets measured at fair value as at 31 December 2020 and 2019.

During the year ended 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings set out in note 23. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using variable rate bank borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable rate bank loans and bank balances at the end of each reporting period and assumed that the amount outstanding at the end of each reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 December 2020 and 2019 would decrease/increase by RMB4,846,000 and RMB5,231,000, respectively. This is mainly attributable to the Group's exposure to interest rates on its bank balances and borrowing with variable rates.

(b) Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — *continued*

(b) Credit risk — *continued*

	12-month	Lifetime ECLs			Total
	ECLs			Simplified	
	Stage 1	Stage 2	Stage 3	approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2020					
Accounts receivable*	—	—	—	3,568	3,568
Financial assets included in prepayments and other receivables**	2,631	—	—	—	2,631
Cash and cash equivalents	714,621	—	—	—	714,621
	<u>717,252</u>	<u>—</u>	<u>—</u>	<u>3,568</u>	<u>720,820</u>

	12-month	Lifetime ECLs			Total
	ECLs			Simplified	
	Stage 1	Stage 2	Stage 3	approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2019					
Accounts receivable*	—	—	—	5,664	5,664
Financial assets included in prepayments and other receivables**	4,216	—	—	—	4,216
Cash and cash equivalents	334,867	—	—	—	334,867
	<u>339,083</u>	<u>—</u>	<u>—</u>	<u>5,664</u>	<u>344,747</u>

* For accounts receivable to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the financial statements.

** The credit quality of the financial assets included in prepayments and other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from accounts receivable are disclosed in note 17 to the financial statements.

Since the Group trades only with recognised and creditworthy customers, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group’s accounts receivable are widely dispersed in different sectors and industries.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — *continued*

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of reporting period, based on contractual undiscounted payments, is as follows:

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	Over 1 year RMB'000	Total RMB'000
31 December 2020					
Financial liabilities included in other payables and accruals (note 20)	78,996	—	—	—	78,996
Dividend payable	439	—	—	—	439
Interest-bearing bank borrowings	—	67,164	389,946	788,869	1,245,979
	<u>79,435</u>	<u>67,164</u>	<u>389,946</u>	<u>788,869</u>	<u>1,325,414</u>
31 December 2019					
Financial liabilities included in other payables and accruals (note 20)	167,381	—	—	—	167,381
Interest-bearing bank borrowings	—	31,128	297,138	965,457	1,293,723
	<u>167,381</u>	<u>31,128</u>	<u>297,138</u>	<u>965,457</u>	<u>1,461,104</u>

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES — *continued*

(d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes interest-bearing bank borrowings. Total equity represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2020 RMB'000	2019 RMB'000
Interest-bearing bank borrowings	1,124,602	1,131,280
Total debt	1,124,602	1,131,280
Total equity	1,762,387	1,014,975
Gearing ratio	63.8%	111.5%

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	31 December 2020 RMB'000	31 December 2019 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	—*	—*
Total non-current assets	—	—
CURRENT ASSETS		
Due from fellow subsidiaries	338,868	—
Prepayments and other receivables	81	1,392
Cash and cash equivalents	180,352	—
Total current assets	519,301	1,392
CURRENT LIABILITIES		
Other payables and accruals	453	6,372
Dividend payable	439	—
Due to fellow subsidiaries	3,053	20,894
Total current liabilities	3,945	27,266
NET CURRENT LIABILITIES	515,356	(25,874)
TOTAL ASSETS LESS CURRENT LIABILITIES	515,356	(25,874)
NET ASSETS/(LIABILITIES)	515,356	(25,874)
EQUITY		
Equity attributable to owners of the parent		
Share capital	3,677	—*
Reserves (Note)	511,679	(25,874)
TOTAL EQUITY	515,356	(25,874)

* The balance represents an amount less than RMB1,000.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY — *continued*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Exchange fluctuation RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2019	—	—	(1,544)	(1,544)
Loss for the year	—	—	(23,993)	(23,993)
Other comprehensive loss for the year				
Exchange differences on translation of foreign operations	—	(337)	—	(337)
Total comprehensive loss for the year	—	(337)	(23,993)	(24,330)
At 31 December 2019 and 1 January 2020	—	(337)	(25,537)	(25,874)
Profit for the year	—	—	14,818	14,818
Other comprehensive loss for the year				
Exchange differences on translation of foreign operations	—	(28,420)	—	(28,420)
Total comprehensive loss for the year	—	(28,420)	14,818	(13,602)
Issuance of shares for the initial public offering ("IPO")	534,896	—	—	534,896
Capitalisation issue of shares	(2,656)	—	—	(2,656)
Exercise of the over-allotment option	81,549	—	—	81,549
Share issue expenses	(27,706)	—	—	(27,706)
Interim 2020 dividend	(34,928)	—	—	(34,928)
At 31 December 2020	551,155	(28,757)	(10,719)	511,679

34. EVENTS AFTER THE REPORTING PERIOD

- a) On 20 January 2021, the board announced, in light of the internal restructuring of the Group as set out in the note 1 to the financial statements, (i) the existing framework of contractual arrangement adopted by the Company ("Existing Contractual Arrangements") will be terminated concurrently with effect from the de-registration of Jian Qiao University; and (ii) the new contractual arrangements ("New Contractual Arrangements") will be effective from the termination of the Existing Contractual Arrangements. The New Contractual Arrangements will be entered into on substantially the same terms as those currently in place under the Existing Contractual Arrangements, save as to the fact that:
- (1) the identity of the PRC operating school of the Group will be changed from Jian Qiao University to Jian Qiao University Company;
 - (2) the identity of the directors of the PRC operating school of the Group will be changed from directors of Jian Qiao University to directors of Jian Qiao University Company;
 - (3) the nature of interest in the PRC operating school of the Group will be changed from school sponsor's interest in Jian Qiao University to equity interest in Jian Qiao University Company;

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

34. EVENTS AFTER THE REPORTING PERIOD — *continued*

a) — *continued*

- (4) due to (3) above, the school sponsors' and directors' rights entrustment agreement under the Existing Contractual Arrangements was divided into two separate agreements under the New Contractual Arrangements: (i) the new shareholders' rights entrustment agreement and (ii) the new directors' rights entrustment agreement, which enable Gench WFOE to exert the same effective control over Jian Qiao University Company as the school sponsors' and directors' rights entrustment agreement under the Existing Contractual Arrangements with substantially the same or equivalent terms and conditions;

On 29 January 2021, the New Contractual Arrangements were entered into among the relevant parties.

- b) As previously reported that the outbreak of COVID-19 in January 2020 had caused certain impact on the university, mainly due to domestic travel restrictions and various precautionary measurements undertaken by the respective local authorities which inter alia, include temporarily closure of school and delays in classroom commencement during the outbreak period. The Group has put in place certain alternative action plans during the outbreak period, which include implementation of on-line modules and website distance learning activities and refund of boarding fees.

In view of the implementation of the above-mentioned action plans, the management has assessed and preliminarily concluded that there was limited impact on the financial position of the Group during the period from January 2020 and up to the date of the report. The Group will keep continuous attention on the development of the COVID-19 situation and react actively to its impacts on the operation and financial position of the Group, and in the event that there are any significant financial impacts, the Company will release further announcement as and when appropriate, and reflect it in the Group's 2021 interim and annual financial statements.

- c) On 24 March 2021, the Company has resolved to recommend the payment of a final dividend of HK\$0.08 per ordinary share for the year ended 31 December 2020 (the "2020 Final Dividend") to the shareholders whose names appear on the register of members of the Company on 7 June 2021. Such proposal is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting of the Company.

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2021.

DEFINITION

“2016 Decision”	the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改〈中華人民共和國國民辦教育促進法〉的決定》) approved by the Standing Committee of the National People’s Congress on November 2016, which took effect on 1 September 2017
“affiliate(s)”	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Appointed School Directors”	eight directors (representing more than two-thirds of the board being the quorum required for approving material decisions) of Jian Qiao University Company, being Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan, Mr. Shi Yinjie, Mr. Chen Zhiyong, Mr. Zhu Ruiting, Mr. Yu Xiaoguang, Ms. Jing Xiaohuai, and Ms. Chen Wei
“Articles of Association” or “Articles”	the articles of association of our Company as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Audit Committee”	the audit committee of our Company
“Board”	the board of Directors of our Company
“Business Cooperation Agreement”	the business cooperation agreement entered into by and among Gench WFOE and the PRC Affiliated Entities dated 11 December 2018
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rule
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this annual report, Hong Kong, the Macau Special Administrative Region and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Shanghai Gench Education Group Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Mr. Zhou, Mr. Zheng Xiangzhan, Mr. Shi Yinjie, She De Limited, Gan En Limited, Ze Ren Limited and Tuan Jie Limited
“Deed of Indemnity”	a deed of indemnity dated 19 December 2019 entered into by our Controlling Shareholders in favor of our Company (for itself and as trustee for its subsidiaries) in respect of, among other things, certain indemnities
“Deed of Non-Competition”	a deed of non-competition dated 19 December 2019 entered into by our Controlling Shareholders in favor of our Company (for itself and its subsidiaries) regarding the non-competition undertaking
“Director(s)”	the director(s) of our Company

“Directors’ Powers of Attorney”	the school directors’ powers of attorney executed by certain directors of our University dated 11 December 2018
“Equity Pledge Agreements”	the equity pledge agreement entered into by and among the Registered Shareholders, Jian Qiao Group and Gench WFOE dated 11 December 2018 and the equity pledge agreement entered into by and among the Registered Shareholders, Jian Qiao Group and Jian Qiao Investment dated 11 December 2018
“Exclusive Call Option Agreement”	the exclusive call option agreement entered into by and among Gench WFOE, the PRC Affiliated Entities and the Registered Shareholders dated 11 December 2018
“Exclusive Technical Service and Management Consultancy Agreement”	the exclusive technical service and management consultancy agreement entered into by and among Gench WFOE and the PRC Affiliated Entities dated 11 December 2018
“Existing Contractual Arrangements”	the framework of contractual arrangements adopted by our Company as described in the Prospectus and, where appropriate, include such minor updates as described in the announcement of our Company dated 20 January 2021 and this annual report
“Foreign Investment Law”	the Foreign Investment Law of the PRC (中華人民共和國外商投資法), as enacted by the 13th National People’s Congress on 15 March 2019, which came into effect on 1 January 2020
“Gench BVI”	Shanghai Gench Education Holdings Limited (上海建橋教育控股有限公司), a limited liability company established under the laws of BVI on 15 May 2018 and a wholly-owned subsidiary of our Company
“Gench HK”	Gench Education Group (Hong Kong) Limited (建橋教育集團(香港)有限公司), a limited liability company incorporated in Hong Kong on 1 June 2018 and a wholly-owned subsidiary of our Company
“Gench US”	Gench Education Group US, Inc, a company incorporated in the State of California the United States on 13 August 2018 and a wholly-owned subsidiary of our Company
“Gench WFOE”	Wangting Education Technology (Shanghai) Limited (望亭教育科技(上海)有限公司), a limited liability company established under the laws of the PRC on 31 October 2018, which is wholly owned by Gench HK
“Group”, “our Group”, “we” or “us”	our Company, its subsidiaries and PRC Affiliated Entities from time to time, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITION

“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
“IPO Waiver”	the waiver granted by the Stock Exchange to our Company from strict compliance with (i) the announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Existing Contractual Arrangements; (ii) the requirement of setting a maximum aggregate annual value (i.e. an annual cap) for the fees payable to our Group under the Existing Contractual Arrangements; and (iii) the requirement of limiting the term of the Existing Contractual Arrangements to three years or less, for so long as the Shares are listed on the Stock Exchange, subject to certain conditions, details of which are set out in the section headed “Connected Transactions” of the Prospectus
“Jian Qiao Group”	Shanghai Jian Qiao (Group) Limited* (上海建橋(集團)有限公司), a limited liability company established under the laws of the PRC on 7 November 2000, which is owned by the Registered Shareholders. It is one of the school sponsors of our University and an affiliated entity of our Company
“Jian Qiao Investment”	Shanghai Jian Qiao Investment and Development Limited* (上海建橋投資發展有限公司), a limited liability company established under the laws of the PRC on 3 August 1999, which is wholly owned by Jian Qiao Group. It is one of the school sponsors of our University and an affiliated entity of our Company
“Jian Qiao University Company”	Shanghai Jian Qiao University Co., Ltd.* (上海建橋學院有限責任公司), a limited liability company established under the laws of the PRC on 28 September 2020, of which the equity interest is owned as to 90% by Jian Qiao Group and as to 10% by Jian Qiao Investment. It is an affiliated entity of our Company
“Listing”	the listing of our Shares on the Main Board of the Stock Exchange
“Listing Date”	16 January 2020, since which our Shares have been listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on 19 December 2019, as amended from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

“MOE”	the Ministry of Education of the PRC
“Mr. Zhou”	Mr. Zhou Xingzeng, the chairman, an executive Director and a Controlling Shareholder of our Company
“Negative List”	Special Administrative Measures for Access of Foreign Investment (Negative List) (2020) (《外商投資准入特別管理措施(負面清單)》(2020年版)), which became effective on 23 July 2020
“New Contractual Arrangements”	the framework of contractual arrangements adopted by our Company as described in the announcement of our Company dated 20 January 2021
“New PRC Affiliated Entities”	namely, Jian Qiao University Company and the School Holders
“No Spouse Undertaking”	the no spouse undertaking dated 29 January 2021 executed by Ms. Huang Chunlan
“Nomination Committee”	the nomination committee of our Company
“PRC Affiliated Entities”	namely, our University and the School Sponsors
“PRC Legal Advisors”	Commerce & Finance Law Offices, our legal advisors as to the laws of the PRC
“Prospectus”	the prospectus of our Company dated 31 December 2019
“Registered Shareholders”	shareholders of Jian Qiao Group, namely, Mr. Zhou Xingzeng, Mr. Zheng Xiangzhan, Mr. Zhao Donghui, Mr. Shi Yinjie, Mr. Jin Yinkuan, Mr. Chen Shengfang, Mr. Chen Zhiyong, Mr. Zhou Tianming, Mr. Bao Jianmin, Mr. Wang Hualin, Mr. Wang Chengguang, Mr. Chen Minghai, Mr. Chen Shengcai, Mr. Wang Xuanguai (prior to 16 December 2020), Ms. Huang Chunlan (since 16 December 2020) and Mr. Zheng Juxing
“Remuneration Committee”	the remuneration committee of our Company
“Reporting Period”	the year ended 31 December 2020
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“School Directors”	eight directors (representing more than two-thirds of the board being the quorum required for approving material decisions) of our University who entered into the Existing Contractual Arrangements from time to time
“School Sponsors” or “School Holders”	collectively, Jian Qiao Group and Jian Qiao Investment, being the school sponsors of our University and the shareholders of Jian Qiao University Company
“School Sponsors’ and Directors’ Rights Entrustment Agreement”	the school sponsors’ and directors’ rights entrustment agreement entered into by and among the School Sponsors, our University, certain directors of our University and Gench WFOE dated 11 December 2018
“School Sponsors’ Powers of Attorney”	collectively, the school sponsors’ powers of attorney executed by the School Sponsors in favor of Gench WFOE dated 11 December 2018

DEFINITION

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of our Company
“Share Award Scheme”	the share award scheme adopted by our Company on 11 December 2020
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 19 December 2019
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Rights Entrustment Agreement”	the shareholders’ rights entrustment agreement entered into by and among the Registered Shareholders, the School Sponsors and Gench WFOE dated 11 December 2018
“Spouse Undertakings”	collectively, the undertakings executed by the spouse of relevant Registered Shareholders dated 11 December 2018
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholders”	has the meaning ascribed to it under the Listing Rules
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules. For the avoidance of doubt, the subsidiaries of our Company include the School Sponsors and our University
“University”, “our University” or “Shanghai Jian Qiao University”	Shanghai Jian Qiao University (上海建橋學院), a private institution of formal higher education established under the laws of the PRC on 28 June 2000, of which the school sponsors’ interest is owned as to 52.11% by Jian Qiao Group and as to 47.89% by Jian Qiao Investment. It is an affiliated entity of our Company
“US\$” or “USD”	United States dollars, the lawful currency of the United States
“Yangtze River Delta”	comprises Jiangsu, Zhejiang, Anhui and Shanghai in the PRC
“%”	percent

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company or entity names in Chinese or another language which are marked with “*” and the Chinese translation of company or entity names in English which are marked with “*” is for identification purpose only.