21世紀教育

21ST CENTURY EDUCATION

CHINA 21ST CENTURY EDUCATION GROUP LIMITED

中國21世紀教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1598

Annual Report 2020

CONTENTS

I. Corporate Information

1. BOARD OF DIRECTORS

1.1 Executive Directors

Mr. Li Yunong (李雨濃)
Ms. Liu Hongwei (劉宏煒)
Mr. Ren Caiyin (任彩銀)
Mr. Liu Zhanjie (劉占杰)①
Ms. Yang Li (楊莉)
Mr. Li Yasheng (李亞晟)②

1.2 Independent non-executive Directors

Mr. Guo Litian (郭立田)
Mr. Yao Zhijun (姚志軍)
Mr. Wan Joseph Jason (尹宸賢)

2. AUDIT COMMITTEE

Mr. Yao Zhijun (姚志軍) (chairman)
Mr. Guo Litian (郭立田)
Mr. Wan Joseph Jason (尹宸賢)

3. REMUNERATION COMMITTEE

Mr. Wan Joseph Jason (尹宸賢) (chairman)
Mr. Guo Litian (郭立田)
Mr. Liu Zhanjie (劉占杰)①
Mr. Li Yasheng (李亞晟)②

4. NOMINATION COMMITTEE

Mr. Li Yunong (李雨濃) (chairman)
Mr. Yao Zhijun (姚志軍)
Mr. Wan Joseph Jason (尹宸賢)

5. AUTHORISED REPRESENTATIVES

Ms. Liu Hongwei (劉宏煒)②
Mr. Liu Zhanjie (劉占杰)①
Mr. Zheng Tieqiu (鄭鐵球)

6. COMPANY SECRETARIES

Mr. Zheng Tieqiu (鄭鐵球)
Ms. Wong Sau Ping (黃秀萍)

7. LEGAL ADVISOR

Jingtian & Gongcheng LLP

8. AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

9. REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

10. HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

8th Floor,
Zhongdian Information Building
No. 356 Zhongshan West Road
Qiaoxi District
Shijiazhuang City
Hebei Province, the PRC

11. PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay, Hong Kong

12. CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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

13. HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

14. PRINCIPAL BANKERS

Bank of Zhangjiakou, Shijiazhuang Branch
China Merchants Bank, Shijiazhuang Branch

15. COMPANY WEBSITE

www.21centuryedu.com

16. STOCK CODE

1598

Notes:
① ceased on 31 March 2021
② appointed on 31 March 2021

II. Chairman's Statement

Dear Shareholders and investors,
On behalf of the Board of China 21st Century Education Group Limited, I am pleased to present to you the 2020 annual report for the year ended 31 December 2020.

BUSINESS SUMMARY

In line with the orientation of education policies and the development trends of the industry, the Group continued to exert great effort to develop vocational education and quality-oriented education based on its existing advantageous businesses in a view to driving the business development of the Company through both "organic development and mergers and acquisitions", thereby realizing steady performance growth.

In November 2020, the Company acquired 100% equity interest in Aidiou Global (Beijing) Education Technology Co., Ltd (愛迪歐環球(北京)教育科技有限公司) ("Aidiou Education"). Aidiou Education focuses on providing quality curriculum services for children aged 3 to 6 years old, and has a number of core intellectual property rights, in particulars, covering the child development training curriculum system, child physical education and arts curriculum system, teacher training system, etc.. Aidiou Education will further enrich the product line of the quality-oriented education platform business of the Company, enhance its core competitiveness and practice the undertaking of "promoting education development through content and technology" after the acquisition.

As of 31 December 2020, the Group owned 22 schools, including 1 private college (Shijiazhuang Institute of Technology), 6 Saintach Tutorial Schools (consisting of 11 Saintach Tutorial Centers), 2 Peijian Tutorial Schools, 5 Shinedao Tutorial Schools and 8 Saintach Kindergartens, and was entrusted with the operation of the west campus of Sifang College of Shijiazhuang Tiedao University.

OPERATING HIGHLIGHTS

For the year ended 31 December 2020, 16,553 full-time students were enrolled under the vocational education segment, which represented an increase of 10.1% from 15,041 students for the corresponding period in 2019. Among them, 14,128 were junior college students, representing an increase of 12.8% for the corresponding period in 2019. In addition, our vocational education segment provided the west campus of Sifang College with entrusted operation service and accommodation service for 3,260 students.

The Group stepped up its effort in industry education integration and school-enterprise cooperation by successive cooperation with Huawei Technologies Co., Ltd. and Oracle OAEC Talent Base in 2020, covering talent cultivation mode, 1+X certification examination site and smart campus establishment, etc.. Meanwhile, the Group established two industry colleges through an innovative school system and set up an expert think tank for the integration of industry and education. In addition, the Group fulfilled actively the demands from the market, combined with the regional economic development, gathered the advantages of education experts, famous heads of enterprises in the community and discipline leaders of institutes, and optimized the adjustment of the professional structure by adding 7 new majors, including a state-controlled major, preschool education.

The quality-oriented education segment delivered an aggregate of approximately 430,000 Tutoring Hours to 7,762 students. In terms of the New Gaokao business of Peijian Education, 1,175 students won the provincial first prizes at the five-subject competition in 2020, 379 students were selected as members of the provincial teams, 117 students were awarded national gold medals, 59 students enrolled in training teams and 6 students were listed in the national team; a total of 58 students from Peijian Tutorial Schools were recommended for admission to Tsinghua University and Peking University during the 2020 Gaokao season. In addition, in 2020, as the first year of the Foundation Enhancement Program, Peijian Education launched its pioneering courses such as the training camp for the Foundation Enhancement Program of high-level universities, serving more than 7,000 students with its new products. There were 210 students from Peijian Education listed in the "Foundation Enhancement Program" of the Tsinghua University and Peking University, among which, 17 students were enrolled in the above universities. Relying on Peijian Education's brand advantages and business resources, the Beijing-Tianjin-Hebei New Gaokao section of the Group introduced the relatively authoritative and accurate AI technology platform for college selection and application in the PRC, and carried out a number of businesses around the college entrance exam.

As of the present, Shijiazhuang Institute of Technology under vocational education segment has worked with 12 enterprises to jointly offer featured majors. 20 tailor-made classes were established and 7 on-site training programs were organized involving 14 professions in total, with a total of 116 enterprises providing internship programs for students, among which over 60 of them are top 500 global enterprises, which considerably enriched our teaching practice. Benefitting from the outstanding professional knowledge, practical operational skills and professionalism of our graduates, Shijiazhuang Institute of Technology has maintained a relatively high level of employment. The employment rate of graduates for the 2019-2020 school year was approximately 96.14%, hitting another record high.

DIVIDEND DISTRIBUTION

As recommended by the Board and upon approval of Shareholders at the forthcoming annual general meeting of the Company (the "AGM"), the Company will distribute a dividend of HK1.57 cents per Share for the year 2020 as a reward for investors who have supported us all along in accordance with its dividend payout policy.

FUTURE STRATEGIES

As a comprehensive private education service provider, we have been insisting on using "content + technology" to promote the development of the education industry, centering on the overall goals of national education modernization and "dual circulation" of economic development, and exerting great effort to develop vocational education and quality-oriented education, with the aim of making education accompany everyone's growth throughout their lives.

The closer alignment between vocational education and economic and social development needs is the basis for promoting sustainable economic and social development and increasing talent support that backs the competitiveness of the country. We will actively participate in the vocational education to improve the quality of training, and add popular and frontline majors, and at the same time expand the scale of education in Shijiazhuang Institute of Technology through the future construction of its new campus, and prepare fully for upgrading Shijiazhuang Institute of Technology to undergraduate vocational university, as well as strive to improve the level and quality of education to cultivate more talents that possess technical skills with higher quality.

In addition, we will pay more attention to the merger and acquisition opportunities of institutions in economically developed regions to allow better room and quality for development.

In the area of quality-oriented education, we will accelerate the integration of the Beijing-Tianjin-Hebei and Yangtze River Delta regions based on the Foundation Enhancement Program and Reform of Education Evaluation to complement advantages of each other and achieve synergistic development, enhance the core competitiveness of the two regions in terms of teaching and research, standardized operation capability and market enrollment capability, so as to drive significant growth in the Company's performance and gradually increase the contribution of the Yangtze River Delta region to the results.

Meanwhile, we will further increase efforts in our research and development to enhance our teaching and research, operation model, service quality, and student management through technology products empowerment, and work to transform ourselves towards the "online-merge-offline" (OMO) model to improve our overall operational efficiency and profitability. As our research and application of technology products become deeper and more extensive, we will export commercially standardized products timely for application in more schools to cover a wider customer base.

ACKNOWLEDGEMENT

This has been the third annual report of the Group since its listing, in which we have presented a relatively satisfactory result. On behalf of the Board, I would like to thank the staff for their diligence and contribution in the past year. We would also like to convey our sincere gratitude to investors for their continuous attention and support to the Group.

Looking ahead, we will utilize our self-innovated education system and scientific and sound management mechanism to closely align with the Group's established development strategies, capture development opportunities in the education industry across Beijing-Tianjin-Hebei and Yangtze River Delta regions, adhere to our core values of "sharing, partnership, virtue and self-improvement" and insist on offering more open and convenient educational services and technologies to the whole society, so that education can support the overall development of every person and realize equal opportunities.

Li Yunong
Chairman of the Board

31 March 2021

III. Financial and Operating Highlights

1. RESULTS

	For the year ended 31 December				
	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)	2017 (RMB'000)	2016 (RMB'000)
Revenue	**253,802**	234,242	201,995	169,741	146,508
Cost of sales	**(131,517)**	(112,934)	(99,691)	(93,362)	(78,971)
Gross profit	**122,285**	121,308	102,304	76,379	67,537
Gross profit margin	**48.2%**	51.8%	50.6%	45.0%	46.1%
Profit before tax	**79,119**	84,664	70,196	45,423	40,461
Profit for the year	**78,772**	82,753	69,420	45,038	40,018
EBITDA	**129,647**	123,601	84,715	61,266	50,669
Basic earnings per Share (RMB cents)	**6.51**	6.78	6.48	5.36	–

2. SUMMARY OPERATING INFORMATION

Operating information	**2020 to 2021**	2019 to 2020	Changes	Percentage of changes
Total number of students	**30,689**	32,228	(1,539)	**(4.8%)**
Including: Full-time①	**18,165**	16,772	1,393	**8.3%**
Continuing education①	**12,524**	15,456	(2,932)	**(19.0%)**
Student capacity②	**123.8%**	114.4%	9.4%	**8.2%**
Student retention rate③	**97.5%**	97.2%	0.3%	**0.3%**
Total number of teachers④	**737**	765	(28)	**(3.7%)**

Notes:

① Full-time includes junior college students and secondary school students in the Shijiazhuang Institute of Technology and students in kindergartens; continuing education refers to part-time students in the Shijiazhuang Institute of Technology.

② It refers to the capacity of full-time students. The student capacity of the Shijiazhuang Institute of Technology as at 31 December 2020 exceeded 100%, one reason was that its rented beds were not taken into account in the calculation; and another reason was that Shijiazhuang Institute of Technology implemented a "2+1" school system, where students at the third grade would work at enterprises as interns, no shortage of student apartments would be resulted, and thus a student capacity of over 100% was recorded. In addition, Shijiazhuang Institute of Technology is building new student apartments, which is expected to be put into use in September 2021, by then student capacity will have been further increased.

③ Retention rate of full-time students.

④ The number represents full-time teachers.

3. ASSETS AND LIABILITIES

	As at 31 December				
	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)	2017 (RMB'000)	2016 (RMB'000)
Assets and liabilities					
Non-current assets	**515,860**	433,330	203,829	183,707	191,901
Current assets	**627,210**	639,532	552,154	133,704	69,643
Current liabilities	**362,764**	327,527	170,194	158,318	140,549
Net current assets/(liabilities)	**264,446**	312,005	381,960	(24,614)	(70,906)
Total assets less current liabilities	**780,306**	745,335	585,789	159,093	120,995
Total equity	**669,947**	672,594	584,905	157,591	111,927
Non-current liabilities	**110,359**	72,741	884	1,502	9,068
Total equity and non-current liabilities	**780,306**	745,335	585,789	159,093	120,995
Property, plant and equipment	**151,126**	140,719	125,541	122,256	128,929
Cash and bank balances	**357,700**	258,613	259,491	39,864	5,320
Interest-bearing bank and other borrowings	**143,926**	139,082	13,000	35,106	27,178
Deferred revenue	**–**	–	–	57,530	48,218
Contract liabilities	**108,495**	93,296	71,637	–	–

	As at 31 December				
Financial ratios	**2020**	2019	2018	2017	2016
Current ratio	**172.9%**	195.3%	324.4%	84.5%	49.6%
Gearing ratio①	**31.9%**	21.3%	2.2%	22.3%	24.3%

Note:

① Total interest-bearing bank loans divided by total equity.

4. CASH FLOWS FROM OPERATIONS

	For the year ended 31 December				
	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)	2017 (RMB'000)	2016 (RMB'000)
Net cash from operating activities	**129,084**	119,112	123,876	66,477	76,276

IV. Management Discussion and Analysis

1. BUSINESS REVIEW

1.1 Overview

Focusing on the operation and content incubation of the education industry, and adhering to the corporate mission of "promoting the development of the education industry with contents and technologies", the Company has addressed itself to improving the efficiency and customer experience of education operation by virtue of technologies empowerment. Since the establishment of the first school in 2003, the Company has grown over the past 20 years to become a comprehensive education group with full-time higher vocational education and continuing education, K12 tutorial programs, preschool education and online education, covering Northern China, the Yangtze River Delta, and the Sichuan and Chongqing regions, with diversified revenue streams and a broad customer base.

Considering improving students' abilities as our priority, we are committed to unremittingly providing clients with customized services and solutions based on individual demands. Leveraging on our self-innovated education system and standardized management, we dedicate to offering more friendly and convenient education services to students.

1.2 Movements of business operations during the Reporting Period

On 26 May 2020, Shijiazhuang Institute of Technology and Oracle OAEC Talent Base signed a cooperation agreement, pursuant to which both parties shall fully utilize the advantages of their resources to carry out in-depth cooperation in aspects such as UI design talent training, teacher team building, as well as innovation and entrepreneurship incubation for university students for the joint exploration on new talent training models and promotion of high-quality employment of the students.

In June 2020, relying on Peijian Education's brand advantages and business resources, the Company has established the Beijing-Tianjin-Hebei New Gaokao section, introduced a nationwide authoritative and accurate AI technology platform for college selection and application, and formed a new team to carry out a number of businesses surrounding the college entrance exam. Through the regional reverse duplication of the sub-brands of the Company, we have further strengthened the synergy among the businesses and created new growth points for the results of the Company.

On 25 November 2020, the Company invested RMB27.84 million to acquire 100% equity interest in Aidiou Education. Aidiou Education focuses on providing quality curriculum services for children aged 3 to 6 years old, and has a number of core intellectual property rights, in particulars, covering the child development training curriculum system, child physical education and arts curriculum system, teacher training system, etc. It also provides professional growth consulting services in the field of quality education for many kindergartens and children in Beijing, Tianjin and Hebei regions. As a quality education content developer and service provider, Aidiou Education will further enrich the product line of the preschool education platform business of the Company, enhance its management output service capability and strengthen its core competitiveness after the acquisition.

In November 2020, Shijiazhuang Institute of Technology established two industry colleges through an innovative school system and set up an expert think tank for the integration of industry and education. The industry colleges are a bold attempt to promote resource sharing, mutual benefit and synergistic innovation, which is a new model for the schools to deepen cooperation between schools and enterprises. In the future, Shijiazhuang Institute of Technology will further align with the needs of the industry, improve the quality of schooling and cultivate high-quality technical and skilled talents.

In order to ensure that the specialty construction in Shijiazhuang Institute of Technology fulfills actively the demands from the market and combines the regional development, Shijiazhuang Institute of Technology gathered the advantages from educational experts, famous heads of enterprises in the community and discipline leaders of institutes, and jointly discussed the formulation of a talent training program. For the year ended 31 December 2020 (the "Reporting Period"), we optimized the adjustment of the professional structure and added 7 new majors, including a state-controlled major, preschool education.

1.3 Impact of "COVID-19" on the Operations of the Company during the Reporting Period

Due to the outbreak of "COVID-19", various business segments of the Group have been affected in varying degrees since February 2020, particularly, revenue from boarding fees in the vocational education segment decreased by RMB4.09 million as compared to the same period in 2019 due to the refund policy during the epidemic, which was partially offset by an increase in tuition revenue. Revenue from the operation of kindergartens in the quality-oriented education segment decreased by RMB17.91 million as compared to the same period in 2019, as the Company optimized its teacher structure and reduced operating costs in a timely manner to offset the impact of the "COVID-19" epidemic. At the same time, in response to "class suspension with continuing education (停課不停教、停課不停學)" as required by the Ministry of Education, the Company has leveraged on its strategic layout of "content + technology" and developed a number of information-based education products. During the "COVID-19" epidemic period when our schools were closed, all physical schools (except the kindergartens of the Group) have taken some alternative measures such as online teaching. Thanks to our standardized management and efficient operation, and the relatively small percentage of revenue from the affected businesses, the business development of the Group was not materially affected, i.e. the financial position of the Group was not materially affected during the Reporting Period.

In January 2021, although cases of "COVID-19" were reported again in Hebei Province, all physical schools (except for the kindergartens of the Group) were able to start online teaching in an orderly manner, thanks to the experience gained from the early stage and the effective prevention and control measures. In early March 2021, the control of the "COVID-19" epidemic was lifted and the business of the Group fully resumed, causing no substantial impact to the business of the Company, i.e. the financial position of the Group was not materially affected during the period between the year ended 31 December 2020 and up to the date of this annual report.

Nevertheless, the management team of the Company will remain vigilant to the development of the epidemic and will take additional actions when appropriate. Should the "COVID-19" epidemic have any material financial impact on the financial results of the Group, further announcement will be made in due course and the related impact will be reflected in the interim and annual financial statements of the Group.

1.4 Our Schools

1.4.1 Overview

As at 31 December 2020, the Company owned 22 schools, including 1 private college under vocational education segment (Shijiazhuang Institute of Technology), 6 Saintach Tutorial Schools under quality-oriented education segment (consisting of 11 Saintach Tutorial Centers), 2 Peijian Tutorial Schools, 5 Shinedao Tutorial Schools and 8 Saintach Kindergartens, and was entrusted with the operation of the west campus of Sifang College of Shijiazhuang Tiedao University.

Schools of the Company	31 December 2020	31 December 2019
Vocational education – College	1	1
Quality-oriented education – Tutorial school	13	12
Quality-oriented education – Kindergarten	8	8
Total	22	21

1.4.2 Student enrollment

As at 31 December 2020, we had 30,689 students enrolled in our schools, including 18,165 full-time students and 12,524 part-time students. The specific details are as follows:

Breakdown of student enrollment	2020-2021 school year	2019-2020 school year	Changes	Percentage of changes
Full-time students				
Vocational education – Shijiazhuang Institute of Technology				
Including: Junior college	14,128	12,525	1,603	12.8%
Secondary college	2,425	2,516	(91)	(3.6%)
Subtotal (full-time college students)	16,553	15,041	1,512	10.1%
Quality-oriented education – Saintach Kindergartens①	1,612	1,731	(119)	(6.9%)
Subtotal (full-time students)	18,165	16,772	1,393	8.3%
Part-time students				
Vocational education – Shijiazhuang Institute of Technology				
Vocational education – Continuing education programs②	12,524	15,456	(2,932)	(19.0%)
Subtotal (part-time students)	12,524	15,456	(2,932)	(19.0%)
Total	30,689	32,228	(1,539)	(4.8%)

Notes:

① Affected by the "COVID-19" epidemic, students' willingness of enrollment declined in a certain extent, which led to the decrease in the number of students enrollment during the Reporting Period.

② The decrease in the number of students in the continuing education programs for the year ended 31 December 2020 compared to that for the corresponding period of 2019 was mainly due to the fact that the number of students graduating from continuing education of Shijiazhuang Institute of Technology exceeded the number of students enrolled during the Reporting Period.

For the year ended 31 December 2020, our tutorial schools under quality-oriented education segment delivered approximately 430,474 Tutoring Hours to approximately 7,762 students, with a 57.4% student renewal rate for those who still chose to study after completing the first curriculum. Details are as follows:

Operating information	31 December 2020	31 December 2019	Changes	Percentage of changes
Number of Tutoring Hours delivered①	**430,474**	469,298	(38,824)	(8.3%)
Number of students tutored	**7,762**	7,620	142	1.9%
Renewal rate①	**57.4%**	65.1%	(7.7%)	(11.8%)

Note:

① Due to the impact of the "COVID-19" epidemic, the Group has taken some alternative measures for students during the closure of the training schools, including the launch of online teaching activities. As a result of a certain degree of decline in students' willingness to be tutored, number of Tutoring Hours delivered and the renewal rate all decreased to varying degrees during the Reporting Period.

For the year ended 31 December 2020, there were more than 600 partner schools under the New Gaokao business of Peijian Tutorial Schools, providing more than 5,000 students with competition tutoring services on five subjects, among which, 1,175 students won the provincial first prizes at the five-subject competition in school year 2019-2020, 379 students were selected as members of the provincial teams, 117 students were awarded national gold medals, 59 students enrolled in training teams and 6 students were listed in the national team; as at the date of this annual report, a total of 58 students from Peijian Tutorial Schools were recommended for admission to Tsinghua University and Peking University during the 2020 Gaokao season, with 17 students enrolled in the two universities through their "Foundation Enhancement Programs".

1.4.3 Charge and average tuition revenue

As disclosed in the Prospectus, we charge our students fees comprising tuition (including tutoring fees) and boarding fees, at our Shijiazhuang Institute of Technology. Among them, our fee range under quality-oriented education segment approximates to that for the year ended 31 December 2019, whereas the tutoring fee ranges for the junior college courses and secondary college courses at Shijiazhuang Institute of Technology under vocational education segment have changed, as stated in the following table:

Type of course	2020-2021 school year RMB	2019-2020 school year RMB
Vocational education	**per school year**	per school year
Junior college courses	**7,000 to 13,000**	6,000 to 10,000
Secondary college courses	**6,600**	5,600

Average Revenue[①]	For the year ended 31 December			
	2020 RMB	2019 RMB	Changes RMB	Percentage of changes
Vocational education	**6,848**	6,418	430	6.7%
Including: Junior college	**7,018**	6,742	276	4.1%
Secondary college	**5,852**	4,813	1,039	21.6%
Quality-oriented education				
Kindergartens[②]	**6,661**	16,574	(9,913)	(59.8%)

Notes:

① The average revenue earned from each full-time student is calculated based on the revenue generated from tuition fees for a whole fiscal year and the average number of students enrolled as at the beginning and end of the same year.

② Under the influence of the "COVID-19" epidemic, the kindergarten business of the Company operated for only 5 months during the Reporting Period, and the charges of some kindergartens declined due to the implementation of the public inclusivity system, which led to the decrease in average revenue.

1.4.4 Employment rate

Shijiazhuang Institute of Technology works to build a modern vocational education system, which adopts the "TOP" talent training model (TOP means "Technique-Occupation-Personality"), to continuously cultivate and deliver application-oriented talents for the society. Benefitting from the outstanding professional knowledge, practical operational skills and professionalism of our graduates, Shijiazhuang Institute of Technology has maintained a relatively high level of employment. For the year ended 31 December 2020, Shijiazhuang Institute of Technology, its teachers and students have won 121 ministerial, provincial and municipal awards, including various awards such as the third National Vocational Institutes Cross Border E-commerce Skills Competition (第三屆全國職業院校跨境電商技能大賽), the Sixth National Applied Talents Integrated Skills Competition (第六屆全國應用型人才綜合技能大賽), 2020 "Tiantao" Cup National Unmanned Vehicles Professional Skills Competition (2020年「天途」杯全國無人機職業技能大賽), Lanqiao Cup National Software and Information Technology Experts Competition (藍橋杯全國軟件和信息技術專業人才大賽), etc.

The employment rate of graduates for the 2019-2020 school year was approximately 96.1%:

Employment rate①	31 December 2020	31 December 2019	Changes	Percentage of changes
Vocational education	96.1%	95.3%	0.8%	0.9%

Note:

① The employment rate refers to the proportion of employed students to the total number of junior college graduates for the year.

1.4.5 Industry Education Integration and School-Enterprise Cooperation

To fully leverage on the functions of vocational education for serving the society, industries and enterprises, and to explore the vocational education system of diversified education operations, open-minded education, talent lifetime services and integrity monitoring, Shijiazhuang Institute of Technology conducted multi-aspect cooperation in various forms with enterprises to establish a stable relationship of school-enterprise cooperation. As at the date of this annual report, Shijiazhuang Institute of Technology has worked with 12 enterprises to jointly offer featured majors. 20 tailor-made classes were established and 7 on-site training programs were organized involving 14 professions in total, with a total of 116 enterprises providing internship programs for students, among which over 60 of them are top 500 global enterprises, which considerably enriched our teaching practice.

1.4.6 Our teachers

Teachers	31 December 2020	31 December 2019	Changes	Percentage of changes
Full-time teachers				
Vocational education①	380	367	13	3.5%
Quality-oriented education②	357	398	(41)	(10.3%)
Subtotal (full-time teachers)	737	765	(28)	(3.7%)
Part-time teachers				
Vocational education③	111	117	(6)	(5.1%)
Quality-oriented education④	608	530	78	14.7%
Subtotal (part-time teachers)	719	647	72	11.1%
Total	1,456	1,412	44	3.1%

Notes:

① The increase in the number of full-time teachers resulted from additional majors at Shijiazhuang Institute of Technology. Meanwhile, we gradually increase the number of full-time teachers, standardize and optimize the composition of teachers.

② Due to the impact of the "COVID-19" epidemic, the kindergartens of the Company have not commenced actual operations since February 2020. The Company took cost control measures correspondingly to optimize the teacher structure of the kindergartens and reduce operating costs to offset the impact of the "COVID-19" epidemic.

③ The decrease in the number of part-time teachers was due to the increase of the number of classes given by outstanding part-time teachers.

④ Peijian Tutorial Schools enlarged the pool for part-time teachers. Given the cyclical nature of the New Gaokao business of Peijian Tutorial Schools, we mainly hired part-time teachers for long-term cooperation.

The quality of education we provide is strongly tied to the quality of our teachers. We prioritize the recruitment of outstanding teachers and strive to maintain the stability of our teachers. As of 31 December 2020, the percentage of our teachers with a bachelor's degree or above was 83.0%; and the percentage of teachers that had worked with us for more than two years was 68.4%.

1.5 Our Content and Output

For the year ended 31 December 2020, our vocational education segment provided the west campus of Sifang College with entrusted operation service and accommodation service for 3,260 students.

For the year ended 31 December 2020, the "Beijing-Tianjin-Hebei Preschool Education Alliance (京津冀學前教育聯盟)" under our quality-oriented education segment had 837 cooperative members. We offer family education and training programs which target at parents to promote parent-child relationships and improve parenting skills through workshops. Our family education cloud platform, which targets at schools and education institutions, is built on technologies such as big data, cloud computing and mobile internet. It provides parent training for schools, education institutions and authorities, offers guidance on family education, and addresses homeschool conflicts to bolster the competitiveness of regional education. Our kindergarten teacher college, as a resources platform, recruited experienced teachers in the industry, providing kindergarten teachers with professional, multi-dimensional and practical methods for preschool education, teaching, children's healthcare and home-school education from multiple perspectives to effectively solve the practical problems encountered by kindergarten teachers during work.

1.6 Our Technological Empowerment

Focusing on the strategic layout of "content + technology", the Group further accelerated the expansion of its traditional offline education business into the digital field. Science and technology empower us to establish our content layout in two major segments of vocational education and quality-oriented education, and consolidate and incorporate technology into the content, including technical services and technical consultation.

With 2 million current users, "Parents Search (爸媽搜)" aims at K12 parent-children co-learning community in the PRC for families with children aged 3 to 18. Through "technology + content", it provides online-offline family education-related products and services for middle and high-end families. Principal businesses under Parents Search include content e-commerce, knowledge payment and parent-school cloud platform. With the new media matrix as its flow base, Parents Search offers users a wealth of quality online contents via platforms such as mini applications, APP, SaaS and H5.

"Family Education Cloud Platform (家庭教育雲平台)" is a mobile platform of family education courses for schools to provide parent training and family education guidance, address home-school conflicts and bolster the competitiveness of regional education based on big data, cloud computing, mobile internet and other technologies. It connects the high-quality content from the Group's years of teaching experience to serve the overall family education solutions of kindergartens, primary and secondary schools and education bureaus, with a view to building a "learning power (學習強國)" platform in the family education community.

"Enlightening Program Design (知蒙程式設計)" is designed for children aged 6 to 15. It provides exam/competition-oriented teaching services through program design, which offer each child a complete programmed learning system and personalized solutions via pure online teaching. By building an online enrollment matrix, "Enlightening Program Design" has achieved a complete process of access + experience + enrollment + teaching + evaluation + service; at the same time, it also combines the teaching system + teaching system in the middle and back office to focus on providing ultimate experience for teaching program design.

"Enlightening Homeland (知蒙家園)" is a cloud platform dedicated to improving the information management of kindergartens, focuses on the affairs management, home-school education, employee management and financial management in kindergartens, and enables efficient and convenient communication among kindergartens, kindergarten teachers and parents. The platform, connected to the micro-application terminal on WeChat, allows users to keep abreast of the real-time situation in kindergartens. It provides professional management, standardized services, high-quality content and convenient operation for kindergartens.

"Kindergarten Teacher College (幼師大學)" is a social platform tailor-made for kindergarten teachers to share teaching resources in preschool education, with a micro-application currently available on WeChat. According to different contents, the platform is divided into five segments, namely education and teaching, parents work, sanitation and healthcare, educational administration and research, as well as famous teachers' lecture. At the same time, it is also equipped with professional assessment of kindergarten teachers' competency.

"Enlightening Classroom (知蒙課堂)" is an educational live broadcast product, which provides schools and training institutions with teaching, interactive and lightweight live broadcast tools. Its "Application Scenario" supports one-to-one, small classes and large classes; "Teaching Form" supports interactive whiteboard, courseware teaching, video linking, screen sharing and raising hands to the stage; "Teaching Assistance" supports authorization reward, whiteboard graffiti, chatting and questioning, and linking and closing of microphone; "Support Terminal" includes computer webpage version, tablet and mobile phone.

"Sousou Smart School (嗖嗖智校)" is a SaaS-type cloud platform for college teachers and students, which is based on the complete business process of colleges. It aims to build a core platform for smart campus to provide a series of services such as enrollment management, student registration, financial management, online payment, teaching and related administrative affairs, internship and practical training, and precise employment. For schools, the platform can deliver full life-cycle management of students from enrollment to employment. For students, it can provide value-added services in close relation to school study, life and consumption. At the same time, through data accumulation in terms of teaching, student, finance and operation management at schools, combined with cloud computing, big data, artificial intelligence and other advanced technologies, the platform can build knowledge spectrums and behavior models of students to enable schools to serve as the cockpit for big data and deliver personalized study.

"Tianze Talent (天擇人才)" is an integrated platform for employment, entrepreneurship and management services. Catering for students from higher educational institutions and enterprises, it targets positions in industries where there is a shortage of high-skilled talents (such as production, manufacturing and the internet), and facilitates the transformation and upgrade of the talent training model. With an aim to improve the quality of nurturing talent, it is an integrated platform currently with almost 1,000 registered enterprises, providing coordinated planning and establishing comprehensive management and services of employment and entrepreneurship education for graduates.

1.7 Our Licenses and Honors

For the year ended 31 December 2020, the Company completed the 2020 annual examination and verification of the licenses, permits, approvals and certificates necessary to conduct our operations in all material aspects from the relevant government authorities in the PRC as scheduled, which have remained in full effect.

On 13 November 2020, the Company was invited to participate in the "2020 Education Forum For Asia Annual Conference (2020年亞洲教育論壇年會)" jointly organized by institutions including the Chinese Society of Educational Development Strategy and the China Association for Non-Government Education. At the conference, the "Top 50 Asia Pacific Preschool Education (亞太學前教育影響力50強)" was announced, and the Saintach Preschool Education under the Company was honored to be listed.

On 16 November 2020, the Company was invited to participate in the "Global Investment Carnival (全球投資嘉年華)" event organized by Gelonghui (格隆匯), a leading global investment research platform in China, and won the "Best Disclosure of the Year (年度最佳資訊披露)" award for the best listed company in Greater China in 2020 for its high quality disclosure since its listing.

On 6 January 2021, the Company was invited to participate in the "Capital Market Forum and the 5th Golden Hong Kong Stock Awards Ceremony (資本市場論壇暨第五屆金港股頒獎盛典)" jointly organized by Zhitongcaijing.com and www.10JQKA.com.cn., and won the "Best Education Company (最佳教育公司)" award with its steady growth performance, increasing comprehensive strength and strong potential for future development in recent years.

On 11 January 2021, the Company was selected as the third batch of members of the Zhongguancun Science City Internet Education Industry Development Alliance (中關村科學城互聯網教育產業發展聯盟). Under the joint advocacy of the Alliance, the Company will continue to uphold the strategic layout of "content + technology" to provide high-quality education services to customers, promote the self-regulation of the education industry, facilitate the aggregation and sharing of resources, and contribute to the benign development of the industry.

2. MARKET REVIEW AND NEW REGULATIONS

2.1 Vocational education to improve the quality of training and expand enrollment at the same time

In September 2020, nine departments, including the Ministry of Education, jointly formulated the Action Plan for Quality Enhancement and Excellence in Vocational Education (2020-2023) (《職業教育提質培優行動計劃（2020–2023年）》)(the "Action Plan"), which sets higher quality standards and requirements for vocational education with the direction of "quality enhancement and excellence, value-added empowerment and quality for strength". Shijiazhuang Institute of Technology under the Company has upgraded its professions and constructed special professional clusters as required, and has also greatly improved the titles and qualifications of the teachers. At the same time, in accordance with the "Action Plan" and the "Guidelines for the Construction of Modern Industrial Colleges (Trial) (《現代產業學院建設指南（試行）》)" issued by the Ministry of Education in July 2020, we have innovated the school system and built two industrial colleges.

For the second year in a row, the "Enrollment Expansion Plan in Vocational Colleges" has been included in the work report of the government, with a cumulative enrollment expansion of 3 million students. Meanwhile, to cope with the possible employment pressure in 2020, the Ministry of Education proposed on 28 February 2020 to expand the enrollment of 322,000 students in college-education programs in 2020. The Action Plan clearly states that "there will be no restriction on the ratio of enrollment of secondary school graduates in specialized senior high schools, and the enrollment plan of college-educated students will be expanded appropriately". The enrollment expansion of vocational colleges and more admission of junior college students in universities will directly drive the growth of the number of school places under the Company and the steady growth of the Company's performance.

2.2 Quality Education "Foundation Enhancement Program" and Comprehensive Cultivation are jointly promoted

In January 2020, the Ministry of Education issued the Opinions on Implementing the Pilot Admission Reform for Basic Subjects in Some Universities (《關於在部分高校開展基礎學科招生改革試點工作的意見》) (the "Foundation Enhancement Program (強基計劃)"). The Foundation Enhancement Program selects and cultivates students whose ambition was to serve the country by fulfilling its strategic demand with their outstanding comprehensive qualities or performance in basic disciplines. This reform pilot is highly compatible with the Company's Peijian Education business. Relying on its brand and business resources, Peijian Education has pioneered new programs such as the High-Level College Foundation Program Training Camp, which highlights the development of secondary school students' abilities in mathematics, physics and chemistry. At the same time, the Company has established the Beijing-Tianjin-Hebei New Gaokao section to expand Peijian Education's business to the Beijing-Tianjin-Hebei region through business synergy and pipeline sharing, with the aim of covering a wider region and customer base.

In January 2020, the National Education Examinations Authority issued the "Chinese College Entrance Exam Evaluation System (《中國高考評價體系》)". In conjunction with the 2019 China College Entrance Examination Evaluation System Explanation (《中國高考評價體系説明》), it creatively proposed a new concept of comprehensive evaluation, emphasizing the importance of comprehensive quality evaluation in the college entrance examination admissions system, and a comprehensive upgrade of the admissions system for multiple admissions. In October 2020, the Central Committee of the Communist Party of China (CPC) and the State Council issued the General Plan for Deepening the Reform of Education Evaluation in the New Era to promote the comprehensive development of moral, intellectual, physical, aesthetic and physical fitness through the reform of student evaluation. The Company has completed the research and development of various curriculums for the education group, such as children's program design and intelligent reading, and acquired Aidiou Education, to further enrich the product lines of the quality education group and help improve the comprehensive literacy of school-age students.

2.3 Significant trend of digital education development

The emergence and recurrence of the "COVID-19" epidemic and the trend of long-term combat against it in human society are driving the reform of education and teaching methods and normalizing the combination of offline and online education. In 2020, schools and educational training institutions of all school ages were able to resume classes online, which rapidly promoted the development of online education in China. According to iiMedia Research, the penetration rate of K12 online education users in China reached 23.2% in the country in 2020. Meanwhile, the "COVID-19" epidemic forced online platforms to upgrade technologies, expand the supply of high-quality online education resources, and activated the new demand of middle class for education consumption across localized markets in the post-epidemic era.

Leveraging on its strategic layout of "content + technology", the Company gradually increased its investment in education technology and digital upgrade. The main directions included the upgrade and promotion of education platforms and tools, online recording and live streaming of offline courses, research and development of new courses, etc. This will not only help us integrate our existing business across regions and ensure the learning efficiency and effectiveness of existing students, but also enable us to acquire the ability to serve our peer industries and potential customers and gain more development opportunities.

3. FUTURE PROSPECTS

As a large private education service provider, we will insist on using "content + technology" to promote the development of education industry, and continue to sustain a diversified industrial layout centering on the overall national objective of education modernization, and exert great effort to develop vocational education and quality-oriented education.

The closer alignment between vocational education and economic and social development needs is the basis for promoting sustainable economic and social development and increasing talent support that backs the competitiveness of the country. We will actively participate in the vocational education to improve the quality of training, expand the scale of education in Shijiazhuang Institute of Technology, as well as add popular and frontline majors, strive to improve the level and quality of education, cultivate more talents that possess technical skills with higher quality, and at the same time prepare fully for upgrading Shijiazhuang Institute of Technology to undergraduate vocational university. In addition, we will pay more attention to the merger and acquisition opportunities of higher education institutions in economically developed regions to allow better room for development.

In the area of quality-oriented education, we will accelerate the integration of the Beijing-Tianjin-Hebei and Yangtze River Delta regions based on the Foundation Enhancement Program and Reform of Education Evaluation to complement advantages of each other and achieve synergistic development, enhance the core competitiveness of the two regions in terms of teaching and research, standardized operation capability and market enrollment capability, so as to drive significant growth in the Company's performance and gradually increase the contribution of the Yangtze River Delta region to the Company's results.

We will further increase our research and development expenditures to enhance our teaching and research, operation model, service quality, and student management through technology products empowerment, and work to transform ourselves towards the "online-merge-offline" (OMO) model to improve our overall operational efficiency and profitability. As our research and application of technology products become deeper and more extensive, we will export commercially standardized products timely for application in more schools to cover a wider customer base.

4. FINANCIAL REVIEW

4.1 Revenue

We derive revenue primarily from tuition (including tutoring fees) of schools from our students, boarding fees and service income for provision of college operation services to the west campus of Sifang College.

Revenue increased by approximately 8.4% from approximately RMB234.2 million for the year ended 31 December 2019 to approximately RMB253.8 million for the year ended 31 December 2020, mainly due to the increase in student enrollment of the Shijiazhuang Institute of Technology and the increase in revenue after the acquisition of Zhejiang Peijian and Shinedao Tutorial Schools.

4.2 Cost of Sales

Cost of sales primarily consisted of staff costs, rental fees, depreciation and amortization and utilities.

Cost of sales increased by approximately 16.5% from approximately RMB112.9 million for the year ended 31 December 2019 to approximately RMB131.5 million for the year ended 31 December 2020, mainly due to the acquisition of Zhejiang Peijian and Shinedao Tutorial Schools resulting in the increase in costs.

4.3 Gross Profit and Gross Profit Margin

The amount of gross profit increased by approximately 0.8% from RMB121.3 million for the year ended 31 December 2019 to RMB122.3 million for the year ended 31 December 2020, and the gross profit margin decreased from approximately 51.8% for the year ended 31 December 2019 to approximately 48.2% for the year ended 31 December 2020, mainly due to the decline of the overall gross profit margin as a result of the decrease in gross profit from the quality-oriented education segment under the influence of the "COVID-19" epidemic.

4.4 Other Income and Gains

Other income and gains consisted of (1) interest income from banks and other institutions; and (2) site use fees charged to certain secondary vocational schools and companies for their external use of the premises and facilities of Shijiazhuang Institute of Technology for organizing teaching activities and training sessions. Other income and gains increased by approximately 60.9% from approximately RMB26.2 million for the year ended 31 December 2019 to approximately RMB42.2 million for the year ended 31 December 2020, mainly due to the increase in investment income, as well as waivers of rent of some properties and the increase in tax concessions arising from the impact of the "COVID-19" epidemic.

4.5 Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of salaries and other benefits for recruitment and advertising staff, advertising expenses and student recruitment expenses.

Selling and distribution expenses increased by approximately 12.4% from approximately RMB11.9 million for the year ended 31 December 2019 to approximately RMB13.3 million for the year ended 31 December 2020, mainly due to the acquisition of Zhejiang Peijian and Shinedao Tutorial Schools which led to an increase in selling and distribution expenses.

4.6 Administrative Expenses

Administrative expenses consisted of salaries and other benefits for general administrative staff and office-related expenses.

Administrative expenses increased by approximately 37.2% from approximately RMB40.9 million for the year ended 31 December 2019 to approximately RMB56.1 million for the year ended 31 December 2020, mainly due to (1) the increase in salaries owing to the increasing number of management and research and development personnel; and (2) the acquisition of Zhejiang Peijian and Shinedao Tutorial Schools which led to an increase in administrative expenses.

4.7 Other Expenses

Other expenses mainly consisted of (1) the impact from changes of long-term lease; and (2) expenses relating to loss on disposal of various fixed assets. Other expenses increased to approximately RMB2.2 million for the year ended 31 December 2020 from approximately RMB0.9 million for the year ended 31 December 2019, mainly due to the renewal of the Property Lease Agreement of Shijiazhuang Institute of Technology which resulted in the changes of rentals and the term of lease, leading to the differences between lease liabilities and right-of-use assets included in the current period, and hence the increase in other expenses.

4.8 Finance Costs

Finance costs mainly represented interest on loans borrowed from financial institutions, financial advisory service charges and interest on lease liabilities.

Finance costs increased by approximately 48.9% from approximately RMB8.2 million for the year ended 31 December 2019 to approximately RMB12.2 million for the year ended 31 December 2020, mainly due to the increasing amounts of loans from financial institutions.

4.9 Taxation

Income tax expenses decreased to RMB0.3 million for the year ended 31 December 2020 from RMB1.9 million for the year ended 31 December 2019, mainly due to the decrease in profits generated from kindergartens under the influence of the epidemic, which led to the decrease in income tax expenses.

4.10 Profit for the Year

Due to the above factors, the Company's profit for the year decreased from approximately RMB82.8 million for the year ended 31 December 2019 to approximately RMB78.8 million for the year ended 31 December 2020.

4.11 Net Liquidity and Capital and Funds and Borrowing Sources

As at 31 December 2020, net current assets of the Company were approximately RMB264.4 million, which mainly consisted of prepayments, other receivables and other assets, term deposits, pledged deposits and cash and bank balances.

As at 31 December 2020, current assets decreased from approximately RMB639.5 million as at 31 December 2019 to approximately RMB627.2 million. The decrease in current assets was mainly due to the decrease in the prepayments for renovation projects.

As at 31 December 2020, current liabilities increased from approximately RMB327.5 million as at 31 December 2019 to approximately RMB362.8 million. The increase in current liabilities mainly due to (1) the increase in interest-bearing bank and other borrowings and (2) the increase in the amount of contract liabilities due to the increasing number of students.

As at 31 December 2020, current ratio of the Company (current assets divided by current liabilities) was 172.9%, as compared with 195.3% as at 31 December 2019. The decline in current ratio was mainly due to the increase in total current liabilities resulting from interest-bearing bank and borrowings, contract liabilities, etc.

In order to manage the liquidity risk, the Company monitored and maintained a sufficient level of cash and cash equivalents, which is deemed adequate by the management, as the working capital of the Company, and to eliminate the impact of cash flow fluctuations. The Company expects that it can meet the cash flow requirement in the future with internal cash flow generated by operations and bank borrowings. The Company did not adopt other financial instruments for the year ended 31 December 2020.

4.12 Gearing Ratio

As at 31 December 2020, the gearing ratio (calculated by total interest-bearing bank and other borrowings divided by total equity) was approximately 31.9%, representing an increase of 10.6% from approximately 21.3% as at 31 December 2019, mainly due to the increase in total interest-bearing bank loans.

4.13 Major Investment

Save as disclosed in this annual report, the Company has no other plans for major investment and capital assets.

4.14 Major Acquisitions and Disposals

On 20 November 2020 (after trading hours), Shijiazhuang Institute of Technology (an indirect wholly-owned subsidiary of the Company) entered into an assets restructuring agreement with Lionful Education Investment Co., Ltd.* (河北廿一世紀教育投資有限公司) ("Lionful Education"), pursuant to which five of the dormitory buildings would be acquired by the Group. The total consideration of the acquired properties was RMB105,000,000, among which RMB69,000,000 was for the dormitory buildings and RMB36,000,000 was for the land use right. For details of this discloseable and connected transaction, please refer to the announcement and the circular of the Company on 20 November 2020 and 14 December 2020, respectively. The change in the ownership of the acquired properties was expected to complete in April 2021.

4.15 Contingent Liabilities

As at 31 December 2020, the Company did not have any material contingent liabilities, guarantees or any material litigation or claims, pending or threatened against any member of the Company (31 December 2019: Nil).

4.16 Foreign Exchange Risk

Most gains and expenses of the Company were denominated in Renminbi. As at 31 December 2020, certain bank balances were denominated in Hong Kong dollars or US dollars. The Company currently does not have any foreign exchange hedging policy. The management will continue to monitor the foreign currency exchange risk of the Company and consider taking prudent measures in due course.

4.17 Pledge of Asset

For the year ended 31 December 2020, the Group pledged bank deposits of RMB187.0 million for obtaining two bank facilities (31 December 2019: RMB178.5 million), of which RMB110.0 million was unutilized as at 31 December 2020 (31 December 2019: RMB105.0 million).

4.18 Events after the Reporting Period

As at the date of this annual report, the Board has resolved to propose a final dividend of HK1.57 cents per Share for the year ended 31 December 2020.

V. Directors and Senior Management

- ## EXECUTIVE DIRECTORS

Mr. Li Yunong (李雨濃) (formerly known as Li Desong (李德頌)), aged 56, is one of the controlling shareholders and founders of the Group. Mr. Li was appointed as the chairman of the Board and an executive Director on 19 January 2017 and has served as a director of Shijiazhuang Institute of Technology since May 2003, mainly responsible for the overall formulation of business strategies and development guidance of the Group. Mr. Li has more than 22 years of experience in the education industry.

Mr. Li served as a teacher in Hebei Institute of Physical Education* (河北體育學院) from July 1985 to October 1990 and he was engaged as a scriptwriter in Shijiazhuang Institute of Art* (石家莊藝術研究所, currently known as the Institute of Culture and Arts of Shijiazhuang City* (石家莊市文化藝術研究所)) from November 1990 to October 1994. Mr. Li has been serving as the art director in the Hebei Youth Television Culture and Art Center* (河北青年電視藝術中心) from November 1994. Since January 2004, Mr. Li has been acting as the chairman of the board of directors of Lionful Investment Holding Co., Ltd. (新聯合投資控股有限公司) ("Lionful Investment Holding").

Mr. Li graduated from Hebei University (河北大學) in Baoding City, Hebei Province, the PRC, with a bachelor's degree in economics in July 1985 and Tsinghua University (清華大學) in Beijing, the PRC, with a master's degree in business administration for senior management in January 2006.

Ms. Liu Hongwei (劉宏煒), aged 38, was appointed as an executive Director on 19 January 2017 and appointed as the chief executive officer of the Company on 7 January 2019, mainly responsible for the overall operation and development of the Group and the overall operation and daily management of tutorial schools of the Group. Ms. Liu has more than 10 years of experience in the education industry and more than 16 years of experience in corporate management.

From June 2004 to May 2010, Ms. Liu held various positions in different branch offices of Hebei 1+2 Real Estate Brokerage Co., Ltd.* (河北壹加貳房地產經紀有限公司), including the manager of marketing department and the manager of operation management department and the general manager. Ms. Liu joined the Group in May 2010 and has successively served in Shijiazhuang Saintach as the manager of operation management department, the assistant to the general manager, the deputy general manager and the general manager since then. From August 2013 to August 2017, Ms. Liu served as the assistant to the president and the vice president of Lionful Education, successively. From 19 January 2017 to 7 January 2019, she served as the executive president of the Company. Since 2014, she has been the vice chairman of Shijiazhuang Association for Non-government Education.

Ms. Liu graduated from Hebei University (河北大學) in Baoding City, Hebei Province, the PRC, majoring in law in July 2003, and obtained a master's degree in business administration in January 2015.

Mr. Ren Caiyin (任彩銀), aged 44, was appointed as an executive vice president and an executive Director on 19 January 2017, and was the president of vocational education section of the Company, mainly responsible for the overall operation and daily management of the higher education section of the Group. Mr. Ren has more than 16 years of experience in the education industry.

Mr. Ren joined the Group in October 2004 as a teacher of Shijiazhuang Institute of Technology and has served in several positions successively, including the head of the teaching and research section, the dean of economics and management college, the assistant to the dean, the executive vice dean and the executive dean since then. Mr. Ren also has been a director and the executive vice president of Lionful Education from June 2016 to August 2017. He has served as a director of Hebei Saintach since September 2016.

Mr. Ren graduated from Northeast Forestry University (東北林業大學) in Harbin City, Heilongjiang Province, the PRC, with a bachelor's degree in forestry in July 2001 and a master's degree in ecology in June 2004. He is a doctoral candidate in management at Hebei University of Technology (河北工業大學). He obtained the qualification as a teacher in higher education granted by the Education Department of Hebei Province (河北省教育廳) in December 2007 and obtained the title of associate professor granted by the Title Reform Leading Group Office of Hebei Province* (河北省職稱改革領導小組辦公室) (the "Hebei Title Reform Office") in December 2016.

Ms. Yang Li (楊莉), aged 49, was appointed as an executive Director on 15 February 2017, mainly responsible for the research on marketing strategies of the Group. Ms. Yang has more than 16 years of experience in the education industry and more than 16 years of experience in accounting and financing.

Ms. Yang served as the deputy director of the financial department of Shijiazhuang Jingang Internal-combustion Engine Parts Group Co., Ltd.* (石家莊金剛內燃機零部件集團有限公司) from July 1993 to January 2001. Ms. Yang joined the Group in January 2001 as an accountant in Lionful Education. She ceased to be an accountant in January 2004, and served as the financial manager from January 2004 to January 2005 and successively as the investment manager and the strategic planning manager in the strategy development department from January 2005 to August 2017. Ms. Yang served as a director in Shijiazhuang Saintach from June 2013 to April 2015 and as a director in Hebei Saintach from July 2013 to December 2015. Ms. Yang served as a director in Lionful Education from July 2013 to October 2016.

Ms. Yang graduated from Shaanxi Institute of Mechanical Engineering* (陝西機械學院, currently known as Xi'an University of Technology* (西安理工大學)) in Xi'an City, Shaanxi Province, the PRC, with a bachelor's degree of engineering in July 1993, and Renmin University of China (中國人民大學) in Beijing, the PRC, with a master's degree in economics in June 2009. She obtained the practicing qualification certificate of registered tax agent in September 2002 and the qualification certificate of senior accountant in November 2015, both granted by the Hebei Title Reform Office. She was granted the certified public accountant certificate by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in December 2002.

Mr. Li Yasheng (李亞晟), aged 25, was appointed as an executive Director on 31 March 2021. Mr. Li joined the Group in 2017, and served as the investment director of the strategic investment department from December 2017 to December 2019 and an assistant to the president of the Company from January 2020 to November 2020. Mr. Li graduated from New York University Leonard N. Stern School of Business with a bachelor's degree in finance and market management in 2017. Mr. Li is the son of Mr. Li Yunong (a controlling shareholder and an executive Director).

• INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Guo Litian (郭立田), aged 69, was appointed as an independent non-executive Director on 19 January 2017 and is responsible for providing independent opinion and judgment to the Board.

Prior to joining the Group, Mr. Guo successively served in Hebei University of Economics and Business (河北經貿大學) as the dean of accounting college, the secretary of party committee and the dean of economics and management college, and the director of disciplinary construction and degree management office from June 1998 to May 2008. After May 2008, Mr. Guo served as a supervisor to postgraduate students in Hebei University of Economics and Business until he retired in March 2016.

Mr. Guo graduated from Hebei College of Finance and Trade* (河北財貿學院) (currently known as Hebei University of Economics and Business (河北經貿大學) in Shijiazhuang City, Hebei Province, the PRC, with a bachelor's degree in economics in July 1982. He obtained the title of professor (specialized in business administration) by the Hebei Title Reform Office in August 1997 and was awarded as a Brilliant Accounting Worker in Hebei Province (河北省優秀會計工作者) by the Finance Department of Hebei Province* (河北省財政廳) in August 2005.

Mr. Yao Zhijun (姚志軍), aged 50, was appointed as an independent non-executive Director on 19 January 2017 and is responsible for providing independent opinion and judgment to the Board.

Prior to joining the Group, he served as the head and the legal representative of Hebei Huayide Certified Public Accountants* (河北華益德會計師事務所有限公司) from January 2004 to November 2005, the head of Beijing China Enterprise Appraisals Juncheng Certified Public Accountants* (北京中企華君誠會計師事務所) Hebei Branch from December 2005 to November 2008, and the head of Zhongxinghua Fuhua Certified Public Accountants* (中興華富華會計師事務所) Hebei Branch from December 2008 to January 2012. Since February 2012, he has been serving as the general manager of Ruihua Certified Public Accountants (Special General Partnership)* (瑞華會計師事務所（特殊普通合夥）) Hebei Branch.

Mr. Yao graduated from Hebei College of Finance and Economics* (河北財經學院) (currently known as Hebei University of Economics and Business (河北經貿大學)) in Shijiazhuang City, Hebei Province, the PRC, with a bachelor's degree in economics in June 1994. He was accredited as a certified public accountant by the Hebei Institute of Certified Public Accountants (河北省註冊會計師協會) in June 1999 and as a senior accountant granted by the Hebei Title Reform Office in November 2005. He obtained the qualification of certified public valuer approved by China Appraisal Society (中國資產評估協會) in April 2000. In July 2005, Mr. Yao was awarded as a Brilliant Certified Accountant in Hebei Province and in March 2015, he was awarded as a senior fellow member by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Mr. Wan Joseph Jason (尹宸賢), aged 48, was appointed as an independent non-executive Director on 6 March 2019 and is responsible for providing independent opinion and judgment to the Board. Mr. Wan has over 22 years of experience in investment banking, corporate finance and regulatory areas.

Prior to joining the Group, he worked with various reputable international financial institutions and the Listing Division of the Hong Kong Exchanges and Clearing Limited. Mr. Wan is currently the deputy general manager and the head of Investment Banking Department of Dongxing Securities (Hong Kong) Financial Holdings Limited (東興證券（香港）金融控股有限公司) which is an affiliated member of China Orient Asset Management Corporation (中國東方資產管理公司), and a responsible officer licensed under the Securities and Futures Ordinance (the "SFO") to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. From May 2018 to April 2020, Mr. Wan served as an independent non-executive director of Forgame Holdings Limited (雲游控股有限公司) (a company listed on the Stock Exchange, stock code: 484).

Mr. Wan graduated from the University of Southern California in May 1994 with a double bachelor's degree in economics and finance.

• SENIOR MANAGEMENT

Ms. Liu Tianhang (劉天航), aged 42, was appointed as a vice president of the Company on 1 November 2019 and an executive vice president of the Company since November 2020, primarily responsible for the investment, merger and acquisition system and capital operation of the Group. Ms. Liu has over 16 years of experience in investment, merger and acquisition as well as market value management.

From 2013 to 2018, Ms. Liu was the managing director of ZZ Capital Management Company Limited (中植資本管理有限公司) and the executive director and general manager for cultural media industry. Ms. Liu joined the Group in 2019 and has been serving as our vice president since 2019.

In 2002, Ms. Liu graduated from Northeast Normal University (東北師範大學) with a bachelor's degree of science in geography. She obtained a master's degree in law from Southwest University of Political Science and Law (西南政法大學) in 2005, and earned her professional qualification in law in March 2004.

Ms. Wang Lijing (王利靜), aged 40, was appointed as the president of quality-oriented education section on 7 June 2016 and appointed as the executive vice president of the Company on 19 January 2017, primarily responsible for the overall operation and daily management of quality-oriented education section. Ms. Wang has over 17 years of experience in the education industry and corporate management.

Ms. Wang joined the Group in July 2003, and worked as an editor of education publicity department and human resources manager of human resource department of Lionful Education from July 2003 to March 2005 and as the secretary of Youth League Committee of Shijiazhuang Institute of Technology from March 2005 to May 2010. From May 2010 to July 2011, Ms. Wang served as the principal of Shijiazhuang City Qiaoxi District Blue Crystal Saintach Kindergarten* (石家莊市橋西區新天際藍水晶幼兒園) ("Blue Crystal Kindergarten"). Since July 2011, Ms. Wang has successively served as the assistant to general manager, deputy general manager and general manager of Hebei Saintach, and a director of Hebei Saintach since 22 December 2015. Since July 2013, Ms. Wang has been serving as a member of the second session of the Preschool Education Committee of The Chinese Association for Non-government Education (中國民辦教育協會學前教育專業委員會) for a term of five years. Since July 2018, Ms. Wang has served as the vice chairman of the third session of the Preschool Education Committee of The Chinese Association for Non-government Education (中國民辦教育協會學前教育專業委員會) for a term of five years. Since October 2018, Ms. Wang has served as the chairman of the Practical Teaching Committee of the Preschool Education and Occupational Education Group of Hebei Province (河北省學前教育職教集團).

Ms. Wang graduated from Hebei University (河北大學) in Baoding City, Hebei Province, the PRC, with a bachelor's degree of art in Chinese literature (漢語言文學) in June 2003. She is currently enrolled in the master's degree program for business administration in Yunnan Normal University (雲南師範大學). She obtained the qualification as a teacher of higher education granted by the Education Department of Hebei Province (河北省教育廳) in December 2005. In May 2018, Ms. Wang obtained the preschool education certificate from American Montessori Society (AMS).

Mr. Wang Yongsheng (王永生), aged 51, was appointed as the vice president and chief financial officer of the Company on 23 November 2015, primarily responsible for the financial management and fund planning of the Group. Mr. Wang has over 27 years of experience in accounting and finance.

From August 1993 to July 2005, Mr. Wang served as an accountant of Shijiazhuang Chemical Fiber Co., Ltd.* (石家莊化工化纖有限公司). From July 2005 to November 2007, Mr. Wang worked as the chief financial officer of Shijiazhuang Yongtong Chemical Co., Ltd.* (石家莊永通化工有限公司) and as the investment and budget manager of Lionful Investment Holding from November 2007 to March 2009. Mr. Wang joined the Group in April 2009 and served as an assistant to president of Shijiazhuang Institute of Technology from April 2009 to April 2011. Subsequently, he served as the assistant to general manager of Shijiazhuang Saintach from April 2011 to April 2014. From April 2014 to August 2017, Mr. Wang successively served as the deputy chief financial officer, chief financial officer and vice president of Lionful Education.

Mr. Wang graduated from Zhengzhou Textile Institute of Technology* (鄭州紡織工學院) (currently known as Zhongyuan University of Technology (中原工學院)) in Zhengzhou City, Henan Province, the PRC, with a junior college graduation certificate in industrial accounting in July 1993 and graduated from Zhengzhou University (鄭州大學) in Zhengzhou, Henan Province, the PRC, with a bachelor's degree in accounting in June 2012. He obtained the accountant certificate granted by the Ministry of Finance in May 1997.

Mr. Wei Lei (魏雷), aged 40, was appointed as a vice president of the Company on 12 February 2020, primarily responsible for the overall operation as well as management of human resources and administrative affairs of the Group. Mr. Wei has over 12 years of experience in corporate management and human resources management.

From 2005 to 2010, Mr. Wei successively served as the deputy chief and chief of the corporate management and human resources section of Shijiazhuang Zhengyuan Chemical Co., Ltd.* (石家莊正元化工有限公司). From July 2010 to November 2012, he successively served as the assistant general manager and general manager of human resources department of Lionful Investment Holding. From December 2012 to April 2014, he served as an assistant to the president of Beijing Yi Jia Er United Real Estate Holdings Co., Ltd.* (北京壹加貳聯合不動產控股有限公司). From May 2014 to December 2016, he served as the general manager of the human resources and administration department of Lionful Investment Holding. From January 2017 to September 2018, he served as the vice president of Hebei Anlian Real Estate Development Co., Ltd.* (河北安聯房地產開發有限公司) Ningbo Branch. Mr. Wei joined the Group in October 2018, and served as the dean assistant of Shijiazhuang Institute of Technology and an assistant to the president of the Company from October 2018 to January 2020.

Mr. Wei graduated from Hebei University of Technology (河北工業大學) with a bachelor's degree in business administration in 2005. He graduated from Hebei University (河北大學) in 2015 with a master's degree in business administration. In 2011, he obtained the title of senior human resources management professional.

Mr. Sun Peng (孫鵬), aged 40, was appointed as the vice president of the Company in 17 March 2021, primarily responsible for the financial management and innovation. Mr. Sun has over 13 years of experience in the investment and financing in capital market, capital operation and corporate management.

From 2008 to 2013, Mr. Sun worked in KPMG and Ping'an Securities Co, Ltd. engaging in financing and audit, and listing service for enterprises. From 2013 to 2017, he served as the chief financial officer and a partner of Zhongzhi Capital Management Company Limited, responsible for financial management, financing and listing, etc. From 2017 to 2021, he served as the vice president and chief investment officer of Beautiful China Holdings Company Limited (a company listed on the Stock Exchange (stock code: 706)), responsible for the investment and financing, and capital operation of that company.

Mr. Sun graduated from the School of International Trading of Shandong Economics University (山東經濟學院國貿學院) in 2004 with a bachelor's degree in international economics and trading. He obtained his master's degree in finance from the School of Finance of Central University of Finance and Economics (中央財經大學金融學院) in 2008. In 2009, he was granted the certified public accountant certificate by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會), and obtained his qualified certificate as a Chartered Financial Analyst in 2010.

Mr. Zheng Tieqiu (鄭鐵球), aged 37, was appointed as a joint company secretary of the Company on 28 January 2019, primarily responsible for the capital operations, corporate governance and brand management of the Group. Mr. Zheng joined the Group on 17 October 2018 and served as an assistant to the president of the Company from 17 October 2018 to 26 November 2020. Mr. Zheng has over 10 years of experience in the corporate governance, capital operations and corporate management of listed companies.

From July 2010 to July 2012, Mr. Zheng served as an investor relations manager and securities affairs representative in Telling Telecommunication Holding Co., Ltd. (天音通信控股股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 000829). From August 2012 to March 2017, he served as the capital operations manager of the board office and listing office of China Huarong Asset Management Co., Ltd. (a company listed on the Stock Exchange, stock code: 2799). From March 2018 to September 2018, he served as the secretary of the board and assistant vice president of GCL System Integration Technology Co., Ltd. (協鑫集成科技股份有限公司) (a company listed on Shenzhen Stock Exchange, stock code: 002506).

Mr. Zheng graduated from Changchun University of Science and Technology (長春理工大學) with a bachelor's degree in computer science and technology in 2007. He obtained a master's degree in industrial economics from Renmin University of China in 2010.

Mr. Mao Lei (毛磊), aged 64, professor and supervisor of postgraduates, joined the Group on 7 January 2019 and was appointed as the principal of Shijiazhuang Institute of Technology, primarily responsible for the teaching management of Shijiazhuang Institute of Technology. Mr. Mao has over 32 years of experience in the education industry.

From September 1992 to March 1996, Mr. Mao successively served as the deputy director and director of the teaching and research section of Hebei Institute of Mechanical and Electrical Engineering (河北機電學院), secretary to the party branch of the teaching and research section, and member of the general party branch of the department. From June 1998 to December 2012, Mr. Mao successively served as the deputy director of the academic affairs office and deputy director of the department of materials, dean of the school of material science and engineering, deputy director of the academic committee and director of the academic affairs office of Hebei University of Science and Technology (河北科技大學). Mr. Mao served as the vice principal of Hebei GEO University (河北地質大學) from December 2012 to December 2017. Since September 2001, Mr. Mao has served as a director of Chinese Heat Treatment Society (全國熱處理學會) and the chairman of Hebei Heat Treatment Society (河北省熱處理學會).

Mr. Mao graduated from Hebei Institute of Mechanical and Electrical Engineering (河北機電學院) in Shijiazhuang City, Hebei Province, the PRC in March 1982 with a bachelor's degree in engineering. He graduated from Northeastern Institute of Technology (東北工學院) (currently known as Northeastern University (東北大學)) in Shenyang City, Liaoning Province, the PRC in January 1989 with a master's degree in engineering.

Save as disclosed above, there is no other information concerning the relationship between any of the Directors or senior management members and other Directors or senior management members or substantial shareholders or controlling shareholders.

VI. Report of the Directors

The Board is pleased to present the audited consolidated financial statements of the Group during the Reporting Period.

• COMPANY PROFILE AND INITIAL PUBLIC OFFERING

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 20 September 2016. The principal place of business of the Company in Hong Kong is located at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The Shares were listed on the Main Board of the Stock Exchange on 29 May 2018 (the "Listing").

• PRINCIPAL ACTIVITIES

The Company is a large well-established private education service provider based in the Beijing-Tianjin-Hebei region. Committed to our core philosophy of "Assisting you in your whole life", we unremittingly provide clients with customized services and solutions based on individual demand, including the preschool students in our kindergartens, the primary school, middle school and high school students in our tutorial centers who are accessing our online education products, as well as and the junior college, technical secondary school and continuing education students enrolled in our colleges.

The activities and particulars of the Company's subsidiaries are set out in note 1 to the consolidated financial statements. An analysis of the Group's revenue and net results for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

• RESULTS

The 2020 annual results of the Company and the Group and their financial position as at 31 December 2020 are set out on pages 131 to 231 of the audited consolidated financial statements in this report.

• FINANCIAL SUMMARY

The results of the Group for the past five financial years are set out in the section headed "Financial and Operating Highlights" on pages 6 to 7 of this annual report. The summary does not form part of the audited consolidated financial statements.

• BUSINESS REVIEW

Please refer to the section headed "Management Discussion and Analysis" on pages 8 to 23 of this annual report for details of the 2020 business conditions and the 2021 outlook of the Company and the Group.

In 2020, the Company and the Group strictly complied with the relevant laws, regulations and environmental policies in China, with a corresponding mechanism for compliance operation in place.

MAJOR RISKS AND UNCERTAINTIES

We are exposed to the risks relating to our business and industry and regulatory changes, including but not limited to the following:

- our business operations and prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to implement such strategies, plans, objectives and goals;
- our ability to maintain or increase student enrollment;
- our ability to maintain or raise tuition;
- our ability to maintain or increase our school utilization;
- the prolonged impact of the "COVID-19" pandemic on the overall economic conditions and the industry where we operate;
- our capital expenditure programs and future capital requirements;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control costs;
- our dividend policy;
- the extent, nature and potential of the future development of our business;
- capital market developments; and
- the actions and developments of our competitors.

For details of the risk factors, please refer to the "Risk Factors" in the Prospectus and the section headed "Market Review and New Regulations" in the "Management Discussion and Analysis" of this report. Investors are advised to make their own judgments or consult their investment advisors before making any investment in the Shares.

- **ENVIRONMENTAL POLICIES AND PERFORMANCE**

  As an education enterprise, the Company does not cause any material impact on the environment during its daily operations. Despite this, the Company remains highly attentive to environmental protection, advocates the concept of low-carbon operation, and strives to integrate the concept of environmental protection into the cultivation and education of the new generation. During the Reporting Period, the Company did not have any non-compliance relating to environmental protection. The details are set out in the Environmental, Social and Governance ("ESG") report on pages 83 to 125 of this annual report.

- **KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS**

  The Group understands the importance of the support from employees, suppliers and customers to the achievement of its goals. Therefore, the Group maintains good relations with its employees, suppliers and customers.

- **PROPERTY, SCHOOL PREMISES AND EQUIPMENT**

  Changes in the property, school premises and equipment of the Company and the Group in 2020 are set out in note 13 to the audited consolidated financial statements.

- **SHARE CAPITAL**

  As of the issue date of this report, the authorized share capital of the Company was HK$300,000 divided into 30,000,000 Shares of HK$0.01 each. As of the issue date of this report, the Company had 1,167,216,000 issued and paid-up Shares. Details of the changes in the share capital of the Company during the Reporting Period are set out in note 28 to the consolidated financial statements in this annual report.

- **TAXATION**

  The information on the taxation of the Company and the Group in 2020 is set out in note 10 to the audited consolidated financial statements.

- **EVENTS SUBSEQUENT TO THE REPORTING PERIOD**

  Details of the events of the Group subsequent to the Reporting Period are set out in note 40 to the audited consolidated financial statements.

- **DISTRIBUTABLE RESERVE**

  Details of the changes in the reserve of the Company and the Group in 2020 are set out in note 39 to the consolidated financial statements and the audited consolidated statement of changes in equity on pages 135 to 136. The reserve distributable to the Shareholders amounted to approximately RMB227 million as at 31 December 2020.

- **PROFIT DISTRIBUTION**

  The Board recommends a final dividend of HK1.57 cents per Share for the year ended 31 December 2020. Subject to approval by the Shareholders at the AGM to be held on 30 June 2021, the final dividend will be paid on 30 July 2021 to the Shareholders whose names appear on the register of members of the Company on 23 July 2021.

- **ANNUAL GENERAL MEETING**

  The Company will hold the AGM on Wednesday, 30 June 2021. A notice convening the AGM will be published and dispatched to the Shareholders in due course.

- **CLOSURE OF REGISTER OF MEMBERS**

  In order to determine the entitlement of Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 24 June 2021 to Wednesday, 30 June 2021, both days inclusive, during which no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 23 June 2021.

In order to determine the eligibility of Shareholders to receive the proposed final dividend, the register of members of the Company will be closed from Friday, 16 July 2021 to Friday, 23 July 2021, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfer documents of Shares together with the relevant share certificates must be delivered to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 15 July 2021.

• USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

On 29 May 2018, the Company issued 360,000,000 Shares at a price of HK$1.13 per Share pursuant to the initial public offering of Shares, with the total proceeds of approximately HK$393 million and the Shares listed on the Main Board of the Stock Exchange. On 17 June 2018, the Company issued 36,000,000 Shares at a price of HK$1.13 per Share pursuant to a partial exercise of over-allotment options relating to the listing of Shares, with the total proceeds of approximately HK$40.7 million. The net proceeds from the listing of Shares (net of underwriting fees and relevant expenses) amounted to approximately HK$433 million. The amount will be applied in the manners as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus, and the announcement of the Company dated 12 June 2019 in relation to the change in use of proceeds (the "Announcement").

	Intended use of net proceeds (HK$ million)	Revised use of proceeds as at the date of the Announcement (HK$ million)	Actual use of net proceeds up to 31 December 2020 (HK$ million)	Remaining balance up to 31 December 2020 (HK$ million)	Expected timeline of full utilization of the remaining balance (Note)
Acquire and rebrand third-party kindergartens to expand our Saintach Kindergartens network in the Integrated Area by the end of 2020	173.2	–	–	–	–
Invest in, acquire and rebrand the domestic and overseas vocational education and quality-oriented education training schools and junior and undergraduate colleges	–	173.2	93.6	79.6	31 December 2021
Expand our Saintach Tutorial Center network in the Integrated Area through acquisition of third-party tutorial schools primarily engaged in providing small-group tutoring services	86.6	86.6	49.2	37.4	31 December 2021
Maintain, renovate and upgrade the facilities, equipment and infrastructure of our schools and tutorial centers and improve student accommodation, campus environment and teaching conditions at Shijiazhuang Institute of Technology	86.6	86.6	34.8	51.8	31 December 2021
Establish our presence overseas and obtain experience in operating schools abroad	43.3	43.3	–	43.3	31 December 2021
Fund our working capital and general corporate purposes	43.3	43.3	32.8	10.5	31 December 2021
Total	433.0	433.0	210.4	222.6	

Note: The expected timeline for utilizing the remaining proceeds is based on the best estimation made by the Group. It will be subject to change based on the current and future development of the market condition.

As disclosed in the 2019 annual report of the Company published on 28 April 2020, the original expected timeline to fully utilized the remaining proceeds at the time was within the year ended 31 December 2020. The current delay in the use of the remaining proceeds is principally due to the Company requiring additional time to identify suitable acquisition targets to proceed with its future plans as disclosed in the Prospectus.

• MAJOR CUSTOMERS AND SUPPLIERS

Our customers primarily consist of (i) students and their parents, (ii) Lionful Education (on behalf of whom we provide school operation services); and (iii) third-party educational institutions with whom we have cooperated and our franchised kindergartens. The transaction volume of the Group with its top five customers accounted for 9.0% of the Group's operating revenue in 2020. Our largest customer during the track record period was Lionful Education, a related party of the Group, which accounted for 7.1% of our total revenue for the year ended 31 December 2020.

Our suppliers primarily comprise food, utilities and property service providers. For the year ended 31 December 2020, the purchases from our five largest suppliers as recorded in the cost of sales account constituted 3.0% of our cost of sales. The transaction amount with the single largest supplier of the Group accounted for approximately 0.7% of the material cost included in the cost of sales for the year.

Save as disclosed above, to the knowledge of the Directors, none of the Directors, their associates or our Shareholders (who, to the knowledge of the Directors, own more than 5.0% of the Company's share capital) had any interest in the top five suppliers of the Group in 2020.

• BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Group and the Company as at 31 December 2020 are set out in note 26 to the audited combined financial statements.

• DONATIONS

In 2020, the Group did not make any donation.

• DIRECTORS AND SENIOR MANAGEMENT

(1) The Board is responsible for, and has the general power to, the management and operations of our business.

The Board currently consists of 8 Directors, including 5 executive Directors and 3 independent non-executive Directors. The following table sets out the information on the members of the Board:

Name	Position	Responsibilities
Li Yunong	Chairman of the Board and executive Director	Overall formulation, guidance of business strategy and development of the Group
Liu Hongwei	Chief executive officer and executive Director	Overall operation and daily management of the Group
Ren Caiyin	Executive vice president, executive Director and president of the vocational education section	Overall operation and daily management of the vocational education of the Group
Liu Zhanjie①	Former vice chairman of the Board and executive Director	Promoting the implementation of major events of the Group in line with its business strategy
Yang Li	Executive Director	Research on marketing strategies of the Group
Li Yasheng②	Executive Director and former assistant to the president	Promoting the implementation of major events of the Group in line with its business strategy
Guo Litian	Independent non-executive Director	Providing independent opinion and judgment to the Board
Yao Zhijun	Independent non-executive Director	Providing independent opinion and judgment to the Board
Wan Joseph Jason	Independent non-executive Director	Providing independent opinion and judgment to the Board

① ceased from 31 March 2021
② appointed on 31 March 2021

In accordance with Article 83(3) of the articles of association of the Company (the "Articles of Association"), any Directors appointed either to fill a casual vacancy on the Board or as an addition to the existing Board shall hold the position till the AGM immediately following his/her appointment. Accordingly, Mr. Li Yasheng will hold the position till the AGM and shall be subject to re-election.

In accordance with Article 84(1) of the Articles of Association, one third of the Directors for the time being shall retire from office by rotation at each annual general meeting, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years, pursuant to which, Mr. Li Yunong, Ms. Liu Hongwei and Mr. Yao Zhijun shall retire by rotation at the AGM and, being eligible, have offered themselves for re-election as Directors thereat.

Details of the Directors who offer themselves for re-election at the AGM will be set out in the circular to the Shareholders dated 30 April 2021.

(2) The following table sets out the information on the senior management members of the Company:

Name	Position	Responsibilities
Liu Tianhang	Executive vice president	The investment merger and acquisition and capital operations of the Group
Wang Lijing	Executive vice president and president of the quality-oriented education segment	Overall operation and daily management of quality-oriented education of the Group
Wang Yongsheng	Vice president and chief financial officer	Financial management and fund planning of the Group
Xu Min	Former vice president	Education technology layout, content development and brand management of the Group
Wei Lei	Vice president	Overall operation, human resources and administrative affairs management of the Group
Sun Peng	Vice president	Finance management and capital innovation of the Group
Zheng Tieqiu	Joint company secretary and former assistant to president	Capital operations, corporate governance and brand management of the Group
Mao Lei	Principal of Shijiazhuang Institute of Technology	Teaching management of Shijiazhuang Institute of Technology

• CHANGES IN DIRECTORS AND SENIOR MANAGEMENT

On 26 November 2020, Mr. Xu Min ceased to be the vice president of the Company, but continued to be responsible for the development of the Group's education technology products.

On 26 November 2020, Mr. Zheng Tieqiu ceased to be an assistant to the president of the Company, but continued to act as the joint company secretary of the Company.

On 26 November 2020, Mr. Li Yasheng ceased to be an assistant to the president of the Company. On 31 March 2021, Mr. Li Yasheng was appointed as an executive Director.

On 17 March 2021, Mr. Sun Peng was appointed as the vice president of the Company.

On 31 March 2021, Mr. Liu Zhanjie ceased to be the vice chairman of the Board, the executive Director and the authorised representative of the Company.

On 31 March 2021, Ms. Liu Hongwei was appointed as the authorised representative of the Company.

Save as disclosed above, the Company did not appoint or dismiss any Director or senior management member during the Reporting Period. As at the date of this annual report, save as disclosed above, there was no change in the information regarding the Directors and chief executive which required disclosure pursuant to Rule 13.51(2) of the Listing Rules.

• BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 24 to 29 in this report.

• CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS ON INDEPENDENCE

The Company has received the confirmation of each independent non-executive Director on his/her independence in accordance with Rule 3.13 of the Listing Rules, and the Company considers that all independent non-executive Directors were independent for the year ended 31 December 2020 and up to the date of this annual report.

• DIRECTORS' SERVICE CONTRACTS

Mr. Li Yunong, Ms. Liu Hongwei, Mr. Ren Caiyin, Mr. Liu Zhanjie (ceased to be an executive Director on 31 March 2021) and Ms. Yang Li has each entered into a service contract with the Company for a term of three years commencing on the Listing Date, which may be automatically renewed for three years upon expiry and subject to termination in accordance with the provisions of the service contract. Mr. Li Yasheng has entered into a service contract with the Company for a term of three years commencing from 31 March 2021, which may be automatically renewed for three years upon expiry and subject to termination in accordance with the provisions of the service contract.

Mr. Guo Litian and Mr. Yao Zhijun have each entered into a letter of appointment with the Company for a term of one year commencing on the Listing Date and subject to termination in accordance with the provisions of the letter of appointment. Mr. Wan Joseph Jason has entered into a letter of appointment with the Company for a fixed term of one year, commencing from 6 March 2019 and subject to termination in accordance with the provisions of the letter of appointment.

None of the Directors has entered into any service contract or letter of appointment with the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

• EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The remuneration committee of the Company (the "Remuneration Committee") has been set up to review the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Company, having regard to the Group's operating results, individual performance of the Directors and senior management of the Company and comparable market practices. Details of the emoluments of the Directors and five highest paid individuals during the Reporting Period are set out in note 8 and note 9 to the consolidated financial statements in this annual report.

During the Reporting Period, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

• MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed in 2020.

• DIRECTORS AND CONTROLLING SHAREHOLDERS' SIGNIFICANT INTERESTS IN CONTRACTS, TRANSACTIONS OR ARRANGEMENTS

Save as disclosed in note 35 "Related Party Transactions" to the consolidated financial statements and the section headed "Connected Transactions" in this annual report, no Directors or entities related to the Directors still have or used to have any significant interest, directly or indirectly, in any contract, transaction or arrangement of the Company or any of its subsidiaries that remained in effect during the year ended 31 December 2020 or as at the end of 31 December 2020 and was significant to the business of the Group.

Save as disclosed in note 35 "Related Party Transactions" to the consolidated financial statements and the section headed "Connected Transactions" in this annual report, at no time during the year ended 31 December 2020 did the Company or any of its subsidiaries enter into any contract of significance with the controlling shareholders or any of their subsidiaries, nor was any contract of significance entered into for the services provided by the controlling shareholders or their subsidiaries to the Company or any of its subsidiaries.

• DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

On 27 May 2020, the Company renewed the Entrustment Agreement entered into between Shijiazhuang Institute of Technology and Lionful Education on 21 June 2010 (the "2010 Entrustment Agreement"). For details, please refer to the announcement of the Company dated 27 May 2020. In addition, the Company, was notified by Mr. Li Yunong in May 2020 that Lionful Education, which is effectively controlled by him and Ms. Luo Xinlan, intended to acquire Shijiazhuang Peisen Education Technology Co., Ltd.* (石家莊培森教育科技有限公司). Shijiazhuang Peisen Education Technology Co., Ltd. owns Jiayuan Kindergarten* (嘉苑幼兒園), Shijiazhuang High-tech Zone Zhangjiu Center Kindergarten Co., Ltd.* (石家莊高新區長九中心幼兒園有限責任公司), Jinboshi Kindergarten*, Fuxing District, Handan (邯鄲市復興區金博士幼兒園), Xingtai Sunshine International Kindergarten* (邢臺陽光國際幼兒園), Xingtai Oasis New Town Kindergarten* (邢臺綠洲新城幼兒園), Shiji Chengbao Angli Kindergarten*, Haigang District, Qinhuangdao (秦皇島市海港區世極城堡昂立幼兒園), and Shijiazhuang Shiguang Kindergarten Co., Ltd.* (石家莊時光幼兒園有限公司). Among which, Shijiazhuang High-tech Zone Zhangjiu Center Kindergarten Co., Ltd., Shijiazhuang Shiguang Kindergarten Co., Ltd., and the kindergartens under our Company are all located in Shijiazhuang. However, owing to the fact that the coverage of the kindergarten business of 石家莊培森教育科技有限公司 is relatively smaller, the resulting business competition with the Group is limited. Moreover, according to the Certain Opinions of the CPC Central Committee and the State Council on Deepening the Reform and Regulating the Development of Preschool Education (《中共中央、國務院關於學前教育深化改革規範發展的若干意見》) authorized to release by Xinhua News Agency in November 2018, the Company will no longer expand the physical premises of kindergartens. Owing to this, Sheng Dao Xiang Cheng Education and Technology Co., Ltd.* (河北晟道象成教育科技有限公司) ("Sheng Dao Xiang Cheng") has issued a confirmation letter, stating that it agreed to the acquisition of Shijiazhung Peisen Education Technology Co., Ltd. by Lionful Education to commence the kindergarten business. Save as disclosed and for the year ended 31 December 2020, the Board was not aware of that any business or interests of the Directors and their respective associates constitute or may constitute competition to the Group's business or cause or may cause any other conflict of interest to the Group.

• DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 December 2020, the Directors and chief executive of the Company had the following interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 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 required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

Director	Nature of interest	Number of Shares[6]	Long position/ short position	Approximate percentage of shareholding[7]
Mr. Li Yunong[1]	Founder of a discretionary trust who can influence how the trustee exercises on his discretion	754,590,000 (L)	Long position	64.65%
	Beneficial owner	1,902,000 (L)	Long position	0.16%
	Beneficiary of a trust (other than a discretionary interest)	2,220,000 (L)	Long position	0.19%
Ms. Liu Hongwei[2]	Beneficial owner	2,061,000 (L)	Long position	0.18%
	Beneficiary of a trust (other than a discretionary interest)	2,220,000 (L)	Long position	0.19%
Mr. Ren Caiyin[3]	Beneficial owner	951,000 (L)	Long position	0.08%
	Beneficiary of a trust (other than a discretionary interest)	1,479,000 (L)	Long position	0.13%
Mr. Liu Zhanjie[4]	Beneficial owner	792,000 (L)	Long position	0.08%
	Beneficiary of a trust (other than a discretionary interest)	1,233,000 (L)	Long position	0.11%
Ms. Yang Li[5]	Beneficial owner	951,000 (L)	Long position	0.08%
	Beneficiary of a trust (other than a discretionary interest)	1,479,000 (L)	Long position	0.13%

Notes:

(1) As at 31 December 2019, Mr. Li Yunong was the sole shareholder of Sainange Holdings Company Limited ("Sainange Holdings") and he was therefore deemed to be interested in the Shares held by Sainange Holdings by virtue of the SFO, being 754,590,000 Shares. On 16 January 2020, the Company was informed by Mr. Li Yunong that he had transferred his 100% shareholding in Sainange Holdings to Leonus Holdings Limited for family wealth and succession planning purposes. For details, please refer to the announcement of the Company dated 21 January 2020. On 5 November 2020, 1,902,000 share options, representing 1,902,000 underlying Shares, were granted to Mr. Li Yunong pursuant to the Share Option Scheme (as defined below). For details, please refer to the announcement of the Company dated 5 November 2020. On 29 December 2020, 2,220,000 award shares were granted to Mr. Li Yunong pursuant to the Share Award Plan (as defined below), subject to the vesting conditions under the grant. For details, please refer to the announcement of the Company dated 29 December 2020.

(2) On 5 November 2020, 2,061,000 share options, representing 2,061,000 underlying Shares were granted to Ms. Liu Hongwei under the Share Option Scheme. On 29 December 2020, 2,220,000 award shares were granted to Mr. Liu Hongwei pursuant to the Share Award Plan.

(3) On 5 November 2020, 951,000 share options, representing 951,000 underlying Shares were granted to Mr. Ren Caiyin under the Share Option Scheme. On 29 December 2020, 1,479,000 award shares were granted to Mr. Ren Caiyin pursuant to the Share Award Plan.

(4) On 5 November 2020, 792,000 share options, representing 792,000 underlying Shares were granted to Mr. Liu Zhanjie under the Share Option Scheme. On 29 December 2020, 1,233,000 award shares were granted to Mr. Liu Zhanjie pursuant to the Share Award Plan. Mr. Liu Zhanjie ceased to be the executive Director with effect from 31 March 2021.

(5) On 5 November 2020 951,000 share options, representing 951,000 underlying Shares were granted to Ms. Yang Li under the Share Option Scheme. On 29 December 2020, 1,479,000 award shares were granted to Ms. Yang Li pursuant to the Share Award Plan.

(6) The letter (L) denotes a long position in such securities.

(7) As at 31 December 2020, the number of the issued shares of the Company was 1,167,216,000 Shares.

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

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

So far as the Directors are aware, as at 31 December 2020, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name	Nature of interest	Number of Shares[5]	Approximate percentage of shareholding[6]
Ms. Cao Yang[3]	Spouse interest	758,712,000 (L)	65.00%
Sainange Holdings	Beneficial owner	754,590,000 (L)	64.65%
Leonus Holdings Limited[1]	Interest in a controlled corporation	754,590,000 (L)	64.65%
HSBC International Trustee Limited[1]	Trustee	754,590,000 (L)	64.65%
Ms. Luo Xinlan[2][4]	Interest in a controlled corporation	92,736,000 (L)	7.95%
Mr. Cao Jide[4]	Spouse interest	92,736,000 (L)	7.95%
Sainray Limited	Beneficial owner	92,736,000 (L)	7.95%

Notes:

(1) Mr. Li Yunong is the founder of a trust of which HSBC International Trustee Limited is the trustee having control over the entire issued shares of Leonus Holdings Limited, which in turn holds the entire issued shares of Sainange Holdings. Each of Mr. Li Yunong, HSBC International Trustee Limited and Leonus Holdings Limited is deemed to be interested in the 754,590,000 Shares held by Sainange Holdings by virtue of the SFO.

(2) Ms. Luo Xinlan is the sole shareholder of Sainray Limited and she is therefore deemed to be interested in the Shares held by Sainray Limited by virtue of the SFO, being 92,736,000 Shares.

(3) Ms. Cao Yang is the spouse of Mr. Li Yunong and she is therefore deemed to be interested in the Shares in which Mr. Li Yunong is interested by virtue of the SFO, being in aggregate 758,712,000 Shares.

(4) Mr. Cao Jide is the spouse of Ms. Luo Xinlan and he is therefore deemed to be interested in the Shares in which Ms. Luo Xinlan is interested by virtue of the SFO.

(5) The letter (L) denotes a long position in such securities.

(6) As at 31 December 2020, the number of the issued shares of the Company was 1,167,216,000 Shares.

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO; or to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

• SHARE OPTION SCHEME

The Company was approved to adopt a share option scheme on 4 May 2018. For details of the terms of the Share Option Scheme, please refer to the Appendix V in the Prospectus.

(1) Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in the Company and help motivate them to boost their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going cooperation 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 the Group, and additionally in the case of Executives (as defined below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

(2) Who may join

The Board may, at its absolute discretion, offer share options ("Options") to the following persons to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme:

a. Any executive director, manager or other employee holding administrative, managerial, regulatory or similar positions in any member of the Group ("Executives"), any employee candidate, any fulltime or part-time employee, or any person who is temporarily transferred to any member of the Group for full-time or part-time job (the "Employees");

b. Directors or nominated directors (including independent non-executive directors) of any member of the Group;

c. Direct or indirect shareholders of any member of the Group;

d. Suppliers who supply goods or render services to any member of the Group;

e. Customers, consultants, business or joint venture partners, franchisees, contractors, agents or representatives of any member of the Group;

f. Individuals or entities who provide any member of the Group with the design, research, development or other support or any advice, consultancy, professional or other services; and

g. The associates of any person mentioned in paragraphs a to f above (the above persons are collectively referred to as the "Eligible Persons").

(3) Maximum Number of Shares

The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as of the Listing Date (such 10% limit represented 120,000,000 Shares, excluding Shares which may fall to be issued upon exercise of the over-allotment option granted by the Company) (the "Scheme Mandate Limit") provided that:

a. The Company may at any time as the Board thinks fit seek approval from the Shareholders to refresh the Scheme Mandate Limit, provided that the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other schemes of the Company shall not exceed 10% of the Shares in issue as of the date of approval by the Shareholders of the refreshment of the Scheme Mandate Limit at the general meeting. Options previously granted under the Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The Company shall despatch a circular to the Shareholders, which will contain the details and data as required under the Listing Rules;

b. The Company may seek separate approval from the Shareholders at the general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by the Company before such approval is obtained. The Company shall send a circular to the Shareholders containing the details and data required under the Listing Rules; and

c. The maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Company's issued share capital from time to time. No Options may be granted under the Share Option Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.

(4) Maximum entitlement of each participant

Subject to Shareholders' approval, 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 the Company's issued share capital from time to time.

(5) Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, 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) Term for Acceptance and Exercise of Options

An offer of the grant of Options shall remain open for acceptance by the Eligible Persons for a period of 28 days from the offer date, provided that no such grant of Options may be accepted after the expiry of the effective period of the Share Option Scheme. Options shall be deemed to have been granted and accepted by the Eligible Persons and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Options duly signed by the grantee together with a remittance in favor of the Company of HK$1.00 being the consideration for the grant thereof is received by the Company on or before the date upon which an offer of Options must be accepted by the relevant Eligible Persons, being a date no later than 28 days after the offer date (the “Acceptance Date”). Such remittance shall under no circumstances be refundable.

Any offer of the grant of Options may be accepted in respect of less than the number of Shares in respect of which it is offered, provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number shall be clearly stated in the duplicate offer letter comprising acceptance of the offer of Options. To the extent that the offer of the grant of Options is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

Subject to the terms of the Share Option Scheme, such scheme shall be valid and effective for a period of ten years from the date on which it becomes unconditional.

(7) Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the 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) Movements in Share Option Scheme

The Share Option Scheme will lapse automatically and not be exercisable under the circumstances set out in "Appendix V – Statutory and General Information – 13. Lapse of Share Option Scheme" of the Prospectus. No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

Below sets out the details of the changes in the Options under the Share Option Scheme for the year ended 31 December 2020 and the Options outstanding during the year:

		Number of Options									
Name of grantee	Date of grant	As at 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled/ forfeited during the year	As at 31 December 2020	Exercise price per Share (HK$)	Share price immediately prior to the date of grant (HK$ per Share)	Fair value of Options (HK$ per Share)	Exercise period
Mr. Li Yunong (Chairman of the Board and executive Director)	5 November 2020	–	1,902,000 (Note)	–	–	–	1,902,000	0.630	0.620	(Note)	5 November 2020 to 4 November 2030
Ms. Liu Hongwei (chief executive officer and executive Director)	11 October 2018	166,500	–	–	–	166,500	–	0.964	0.950	0.449	11 October 2019 to 10 October 2023
	11 October 2018	166,500	–	–	–	166,500	–	0.964	0.950	0.449	11 October 2020 to 10 October 2023
	11 October 2018	222,000	–	–	–	222,000	–	0.964	0.950	0.449	11 October 2021 to 10 October 2023
	5 November 2020	–	2,061,000 (Note)	–	–	–	2,061,000	0.630	0.620	(Note)	5 November 2020 to 4 November 2030
Mr. Ren Caiyin (executive president and executive Director)	11 October 2018	166,500	–	–	–	166,500	–	0.964	0.950	0.449	11 October 2019 to 10 October 2023
	11 October 2018	166,500	–	–	–	166,500	–	0.964	0.950	0.449	11 October 2020 to 10 October 2023
	11 October 2018	222,000	–	–	–	222,000	–	0.964	0.950	0.449	11 October 2021 to 10 October 2023
	5 November 2020	–	951,000 (Note)	–	–	–	951,000	0.630	0.620	(Note)	5 November 2020 to 4 November 2030
Mr. Liu Zhanjie (former vice chairman of the Board and executive Director)	11 October 2018	342,000	–	–	–	342,000	–	0.964	0.950	0.449	11 October 2019 to 10 October 2023
	11 October 2018	342,000	–	–	–	342,000	–	0.964	0.950	0.449	11 October 2020 to 10 October 2023
	11 October 2018	456,000	–	–	–	456,000	–	0.964	0.950	0.449	11 October 2021 to 10 October 2023
	5 November 2020	–	792,000 (Note)	–	–	–	792,000	0.630	0.620	(Note)	5 November 2020 to 4 November 2030

Name of grantee	Date of grant	Number of Options: As at 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled/ forfeited during the year	As at 31 December 2020	Exercise price per Share (HK$)	Share price immediately prior to the date of grant (HK$ per Share)	Fair value of Options (HK$ per Share)	Exercise period
Ms. Yang Li (executive Director)	11 October 2018	171,000	–	–	–	171,000	–	0.964	0.950	0.449	11 October 2019 to 10 October 2023
	11 October 2018	171,000	–	–	–	171,000	–	0.964	0.950	0.449	11 October 2020 to 10 October 2023
	11 October 2018	228,000	–	–	–	228,000	–	0.964	0.950	0.449	11 October 2021 to 10 October 2023
	5 November 2020	–	951,000 (Note)	–	–	–	951,000	0.630	0.620	(Note)	5 November 2020 to 4 November 2030
Mr. Li Yasheng (associate of Mr. Li Yunong and an executive Director (appointed 31 March 2021))	5 November 2020	–	633,000 (Note)	–	–	–	633,000 (Note)	0.630	0.620	(Note)	5 November 2020 to 4 November 2030
		2,820,000	7,290,000 (Note)	–	–	2,820,000	7,290,000 (Note)				
Total for employees	11 October 2018	711,000	–	–	–	711,000	–	0.964	0.950	0.449	11 October 2019 to 10 October 2023
	11 October 2018	711,000	–	–	–	711,000	–	0.964	0.950	0.449	11 October 2020 to 10 October 2023
	11 October 2018	948,000	–	–	–	948,000	–	0.964	0.950	0.449	11 October 2021 to 10 October 2023
	5 November 2020	–	4,275,000 (Note)	–	–	–	4,275,000 (Note)	0.630	0.620	(Note)	5 November 2020 to 4 November 2030
Total for consultants	5 November 2020	–	4,272,000 (Note)	–	–	–	4,272,000 (Note)	0.630	0.620	(Note)	5 November 2020 to 4 November 2030
Total		5,190,000	15,837,000 (Note)	–	–	5,190,000	15,837,000 (Note)				

Note: 30% of the Options shall vest after the first anniversary of the grant date of the Options, with the fair value of HK$0.23 per Option; 30% of the Options shall vest after the second anniversary of the grant date of the Options, with the fair value of HK$0.23 per Option; and 40% of the Options shall vest after the third anniversary of the grant date of the Options, with the fair value of HK$0.22 per Option.

The values of Options calculated using the binomial model (the "Model") are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an Option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an Option.

The following table lists the inputs to the Model used:

Measurement date	05/11/2020
Dividend yield (%)	3.31%
Expected volatility (%)	50.45%
Risk-free interest rate (%)	0.11%

• SHARE AWARD PLAN

A share award scheme (the "Share Award Plan") was adopted by the Board on 14 October 2020 (the "Adoption Date"), the details of which are set out as follows:

(1) Purpose of the Share Award Plan

The purposes of the Share Award Plan are to recognise and reward the contribution of Eligible Participants (as defined in the following paragraph) to the growth and development of the Group, to give incentives to Eligible Participants (as defined hereunder) in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

(2) Administration

The Share Award Plan shall be subject to the administration of the Board and the trustee under the Share Award Plan (the "Trustee") in accordance with the terms of the Share Award Plan and the terms of the trust deed (entered into between the Company and the Trustee in respect of the Shares and other trust fund (if any) held or to be held by the Trustee subject to the terms thereof) (the "Trust Deed"). The Trustee shall hold the trust fund in accordance with the terms of the Trust Deed.

(3) Eligibility

Under the rules constituting the Share Award Plan, the following classes of participants (excluding the excluded participants) (the "Eligible Participants") are eligible for participation in the Share Award Plan:

(a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary of the Company or any invested entity (being any entity in which any member of the Group holds any equity interest) (an "Employee");

(b) any non-executive director (including independent non-executive directors) of the Company, any subsidiary or any invested entity;

(c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any invested entity; and

(d) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of the Share Award Plan, the award of Shares ("Award") may be made to any company wholly owned by one or more of the above participant.

(4) Shares Pool

In order to satisfy any award of Shares to be granted under the Plan from time to time, the Trustee shall maintain a shares pool which shall comprise the following: (a) such Shares as may be purchased by the Trustee on the Stock Exchange or off the market by utilising the funds allocated by the Board out of the Company's resources; (b) such Shares as may be subscribed by the Trustee by utilising the funds allocated by the Board out of the Company's resources, subject to the Company having obtained the requisite Shareholders' approval in general meeting under general mandate or specific mandate for the allotment and issue of new Shares, the grant of listing of and permission to deal in such Shares by the Stock Exchange, and compliance with the applicable requirements under the Listing Rules; (c) such Shares as may be allotted or issued to the Trustee as a holder of Shares, whether by way of scrip dividend or otherwise; and (d) such Shares which remain unvested and revert to the Trustee due to the lapse of the Award.

The Trustee may purchase the Shares on the Stock Exchange at the prevailing market price (subject to such maximum price as may be from time to time prescribed by the Board), or off the market. In the event that the Trustee effects any purchases by off-market transactions, the purchase price for such purchases shall not be higher than the lower of the following: (i) the closing market price on the date of such purchase, and (ii) the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

Where any Award is proposed to be made to a connected person and the relevant Award of the Award Shares (as defined in the following paragraph) is to be satisfied by an allotment and issue of new Shares, the Award shall be separately approved by the Shareholders in general meeting with such connected person and his associates abstaining from voting and shall comply with all other requirements of Chapter 14A of the Listing Rules applicable to such Award.

(5) Award of Shares

The Board shall, subject to and in accordance with the rules of the Share Award Plan, be entitled to, at any time during the continuation of the Share Award Plan, make an Award out of the shares pool to any of the Eligible Participants such number of Shares as it shall determine pursuant to the Share Award Plan.

The Board shall notify the Trustee in writing upon the making of an Award under the Share Award Plan by giving the Trustee an award notice.

(6) Vesting of the Award Shares

The Board may from time to time, at its discretion, determine the earliest vesting date and other subsequent date(s), if any, subject to and upon which the Award Shares held by the Trustee upon trust and which are referable to a selected participant shall vest in that selected participant.

(7) Lapse of Award

In the event that the selected participant who is an Employee ceases to be an Employee by virtue of a corporate reorganisation of the Group or the Invested Entity, then any Award made to such selected participant, to the extent not already vested, shall forthwith lapse and be cancelled.

(8) Voting rights of the Shares in the Shares Pool

The Trustee shall not exercise the voting rights in respect of the Shares held under trust constituted by the Trust Deed. The selected participants shall not have any right to receive any Shares provisionally awarded to them pursuant to an Award ("Award Shares") set aside for them unless and until the Trustee has transferred and vested the legal and beneficial ownership of such Award Shares to and in the selected participants.

(9) Duration of the Share Award Plan and termination of the Share Award Plan

The Share Award Plan shall be valid and effective for a period of 10 years commencing from the Adoption Date but may be terminated earlier as determined by the Board.

(10) Share Award Plan limit

The maximum number of Shares to be subscribed for and/or purchased by the Trustee by applying the contribution made by the Company or any of its subsidiaries for the purpose of the Share Award Plan shall not exceed 10% of the total number of issued Shares as at the Adoption Date. The Board shall not instruct the Trustee to subscribe for and/or purchase any Shares for the purpose of the Share Award Plan when such subscription and/or purchase will result in such threshold being exceeded.

The maximum number of Shares which may be subject to an Award or Awards to a selected participant shall not in aggregate exceed 1% of the issued share capital of the Company as at the Adoption Date.

During the year ended 31 December 2020, the Trustee was authorised to purchase 27,999,000 Shares on the Stock Exchange for the Share Award Plan. During the year, 27,720,000 Award Shares were granted to the Selected Participants under the Share Award Plan.

Movements of the Award Shares granted to the Eligible Participants pursuant to the Share Award Plan during the year ended 31 December 2020 are as follows:

			Number of Awarded Shares				
Name of awardee	Date of grant	Vesting period[1]	Outstanding as at 1 January 2020	Granted during the year	Vested during the year	Lapsed during the year	Outstanding as at 31 December 2020
Director							
Li Yunong	29 December 2020	29 December 2021 to 29 December 2023	–	2,220,000	–	–	2,220,000
Liu Hongwei	29 December 2020	29 December 2021 to 29 December 2023	–	2,220,000	–	–	2,220,000
Ren Caiyin	29 December 2020	29 December 2021 to 29 December 2023	–	1,479,000	–	–	1,479,000
Liu Zhanjie	29 December 2020	29 December 2021 to 29 December 2023	–	1,233,000	–	–	1,233,000
Yang Li	29 December 2020	29 December 2021 to 29 December 2023	–	1,479,000	–	–	1,479,000
Associate of Director							
Li Yasheng[2]	29 December 2020	29 December 2021 to 29 December 2023	–	987,000	–	–	987,000
Employees	29 December 2020	29 December 2021 to 29 December 2023	–	18,102,000	–	–	18,102,000

Notes:

1. 30% of the Awarded Shares shall vest on the expiry date of the 12th month after the relevant date of grant of the Award Shares; 30% of the Awarded Shares shall vest on the expiry date of the 24th month after the relevant date of grant of the Award Shares; and 40% of the Awarded Shares shall vest on the expiry date of the 36th month after the relevant date of grant of the Award Shares.

2. Mr. Li Yasheng is the son of Mr. Li Yunong.

- **BONDS ISSUED**

The Company did not have any bonds in issue or existence for the year ended 31 December 2020.

- **SHARE-LINKED AGREEMENT**

For the year ended 31 December 2020, the Company did not enter into or have any share-linked agreement, and was not obligated to enter into any agreement which would or might cause the Company to issue any Share.

- **PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES**

For the year ended 31 December 2020, the Company purchased a total of 40,653,000 Shares at a total purchase price (before expenses) of approximately HK$25,721,000 on the Stock Exchange. The reason for such Share repurchases was that the Board believed that the Shares had been traded at a level which significantly undervalued the Company's performance and underlying value; and since the Board is committed to actively managing the Company's capital, such Share repurchases would create capital management benefits to the Shareholders. All Shares repurchased as aforementioned were cancelled by the Company on 23 June and 16 July 2020, respectively. The details of the purchase of these Shares are set out as follows:

Month of purchase	Number of Shares purchased	Maximum price paid per Share (HK$)	Minimum price paid per Share (HK$)	Total purchase price (HK$)
May 2020	17,997,000	0.68	0.61	11,571,000
June 2020	16,659,000	0.65	0.61	10,486,000
July 2020	5,997,000	0.62	0.61	3,664,000
Total	40,653,000			25,721,000

- **PRE-EMPTIVE RIGHT**

There is no provision of pre-emptive right in the Articles of Association and the laws of Cayman Islands that requires the Company to offer new Shares to the existing Shareholders on a pro rata basis.

- **PERMITTED INDEMNITIES**

For the year ended 31 December 2020, the Company did not have any permitted indemnities that used to take effect or was effective in favour of any Director (whether entered into by the Company or not) or any director of any company associated with the Company (if entered into by the Company).

The Company has purchased liability insurance for the relevant legal proceedings that the Directors may be involved in.

- **REMUNERATION POLICY**

The Remuneration Committee has been set up to review the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

The Directors and senior management of the Company may also receive Options to be granted under the Share Option Scheme. For further details of the Share Option Scheme, please refer to the Appendix V "F. Share Option Scheme" to the Prospectus. Details of the remuneration of the Directors and five highest paid individuals during the Reporting Period are set out in note 8 and note 9 to the consolidated financial statements.

- **PENSION AND EMPLOYEE BENEFIT SCHEMES**

Details for the Company's pension and employee benefit scheme are set out in note 2.4 to the consolidated financial statements in this annual report.

- **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

For details, please refer to the section headed "Corporate Governance Report" on pages 69 to 82 in this report.

- **AUDIT COMMITTEE**

For the year ended 31 December 2020, the audit committee of the Company (the "Audit Committee") consisted of three members, namely Mr. Yao Zhijun (chairman), Mr. Guo Litian and Mr. Wan Joseph Jason, all of whom are independent non-executive Directors.

The Audit Committee has adopted the terms of reference which are in line with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include reviewing and monitoring the financial control, risk management and internal control systems and procedures of the Group, reviewing the financial information of the Group and the relationship with the external auditor of the Company. The annual results and the consolidated financial report of the Group for the year 2020 have been reviewed by the Audit Committee.

- **AUDITOR**

Ernst & Young was appointed as the auditor of the Company for the year ended 31 December 2020. Ernst & Young have audited the consolidated financial statements as attached which were prepared in accordance with the International Financial Reporting Standards.

Ernst & Young shall retire at the forthcoming AGM, and, being eligible, offers itself for re-appointment. The resolution for re-appointing Ernst & Young as the auditor of the Company will be submitted to the AGM.

- **UNDERTAKING OF AVERTING PEER COMPETITION BY CONTROLLING SHAREHOLDERS**

The Company has received letters of confirmation from the controlling shareholders that they have complied with the non-competition undertakings made on the structured contracts as set out in the Prospectus. The controlling shareholders also confirmed that save as disclosed in the 2020 interim report of the Company and this report, there was no any other businesses or interests constitute or may constitute competition to the Company's business or cause any other conflict of interest to the Company at any time during the year ended 31 December 2020. For details of the non-competition undertakings, please refer to the Prospectus.

The independent non-executive Directors have reviewed the performance of the non-competition undertakings during the Reporting Period based on the information and confirmation provided by or obtained from the covenanters.

- **PUBLIC FLOAT**

According to the information publicly available to the Company and to the knowledge of the Directors, at any time during the Reporting Period and up to the date of this annual report, at least 25% (i.e., the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules) of the total issued Shares were held by the public.

- **MATERIAL LITIGATION**

As of 31 December 2020, the Company was not involved in any material litigation or arbitration. To the knowledge of the Directors, there is also no unknown or threatened material litigation or claim.

• NON-EXEMPT CONNECTED TRANSACTIONS

During the year ended 31 December 2020, the Group has the following non-exempt connected transactions pursuant to Chapter 14A of the Listing Rules. The Company confirmed that it had complied with the disclosure requirements under Chapter 14A of the Listing Rules during the year ended 31 December 2020.

1. Acquisition of Properties and Lease of Premises

(a) Acquisition of properties

On 4 May 2018, Shijiazhuang Institute of Technology, as lessee, entered into a property lease agreement ("Shijiazhuang Institute of Technology Property Lease Agreement") with Lionful Education, as lessor, pursuant to which Shijiazhuang Institute of Technology leased from Lionful Education nine dormitory buildings, one auto training center, one canteen, one infirmary and a library located at Hengshan Village, Luquan Development Area, Shijiazhuang, Hebei Province, the PRC with an aggregate construction area of approximately 71,460 sq.m. at an annual rental of RMB5.5 million. The term of lease is 10 years with an option granted to Shijiazhuang Institute of Technology to renew the agreement by giving a written notice to the lessor three months prior to the expiration of the lease under normal commercial terms or better to Shijiazhuang Institute of Technology and in compliance with applicable laws and regulations as well as the Listing Rules.

On 20 November 2020, Shijiazhuang Institute of Technology entered into an assets restructuring agreement (the "Assets Restructuring Agreement"), pursuant to which Lionful Education agreed to sell and Shijiazhuang Institute of Technology agreed to purchase, five dormitory buildings (four of which were the leased properties under the Shijiazhuang Institute of Technology Property Lease Agreement) located at Hengshan Village, Luquan Development Area, Shijiazhuang, Hebei Province, the PRC with an aggregated area of 31,097.72 sq.m. and the land use right with an aggregated area of 51,887 sq.m. (the "Acquired Properties") at the consideration of RMB105,800,000, subject to the terms therein.

The independent valuation of the Acquired Properties as at 31 October 2020 is approximately RMB105,800,000 as prepared by AVISTA Valuation Advisory Limited (the "Valuer"), an independent valuer in accordance with depreciated replacement cost approach. The valuation is for reference purpose based on the assumption that the Acquired Properties could be freely transferred in the market.

Pursuant to the Assets Restructuring Agreement, the employment of 18 staff working in the Acquired Properties by then with Lionful Education shall be transferred to Shijiazhuang Institute of Technology with the same employment terms before completion. Shijiazhuang Institute of Technology shall also assume the payment obligation of Lionful Education over the outstanding construction fee payable in the amount of RMB1,418,728.07 in relation to the Acquired Properties. The staff salary and outstanding construction fee amounted to a total of RMB1,455,028.07, which will be deducted from the consideration for the Acquired Properties under the Assets Restructuring Agreement.

(b) Lease of properties

On 20 November 2020, a lease agreement was entered into between Shijiazhuang Institute of Technology (as lessee) and Lionful Education (as lessor) with respect to (i) five dormitory buildings; (ii) one auto training centre; (iii) one canteen; (iv) one infirmary; and (v) a library (collectively the "Premises"), at the annual rent of RMB3,700,000 (inclusive of ancillary facilities usage fees, equipment fees, management fees and maintenance fees) for a term of five years (the "New Lease Agreement"). The aggregate rent for the five-year term payable under the New Lease Agreement is RMB18,500,000, which will be satisfied by the internally resources of the Group.

The Premises have an aggregated gross floor area of approximately 47,472.09 sq.m. and are used for dormitory, education and ancillary facilities of Shijiazhuang Institute of Technology.

The New Lease Agreement covers certain properties leased to Shijiazhuang Institute of Technology under the Shijiazhuang Institute of Technology Property Lease Agreement, and shall replace Shijiazhuang Institute of Technology Property Lease Agreement to that effect.

Pursuant to HKFRS 16, the entering into the New Lease Agreement as lessee requires the Group to recognise the Premises as right-of-use asset in its consolidated financial statements. Such transaction will be regarded as acquisition of asset for the purpose of the Listing Rules. The estimated value of right-of-use asset recognised by the Company under the New Lease Agreement amounts to approximately RMB17,040,000.

Lionful Education is controlled by Mr. Li Yunong and Ms. Luo Xinlan as to approximately 80.62% and 19.37%, respectively. Pursuant to Rule 14A.07(1) of the Listing Rules, Mr. Li Yunong, a Director and one of the controlling shareholders and Ms. Luo Xinlan, one of the controlling shareholders, are connected persons of the Company. Lionful Education is a 30%-controlled company (as defined in Rule 14A.12(1)(c) of the Listing Rules) held directly by connected persons as defined in Rule 14A.07(1) of the Listing Rules, and hence an associate of Mr. Li Yunong and Ms. Luo Xinlan and a connected person of the Company.

Further details with respect to the Assets Restructuring Agreement and the New Lease Agreement and the transactions thereunder are set out in the announcement of the Company dated on 20 November 2020.

• NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2020, the Group has the following non-exempt continuing connected transactions pursuant to Chapter 14A of the Listing Rules. The Company confirmed that it had complied with the disclosure requirements under Chapter 14A of the Listing Rules during the year ended 31 December 2020.

1. Shijiazhuang Institute of Technology Property Lease Agreement

As set out in note 35(c)(i) to the consolidated financial statements, on 4 May 2018, Shijiazhuang Institute of Technology, as lessee, and Lionful Education, as lessor, entered into the Shijiazhuang Institute of Technology Property Lease Agreement. For further details, please refer to the sub-paragraph headed "Non-exempt Connected Transactions – Acquisition of Properties and Lease of Premises" above.

Pursuant to the Shijiazhuang Institute of Technology Property Lease Agreement, (i) the lessor shall not terminate the lease agreement without a written notice of 12 months and the consent with the lessee; (ii) the lessee was granted a pre-emptive right to rent the property under the same terms, which should be normal commercial terms or better to the lessee, where a third party also intends to rent the relevant properties; (iii) the lessee was granted a right of first refusal in the circumstances where the lessor was to sell the properties under the lease agreement to any third party; and (iv) if the lessee decides not to exercise its right of first refusal as mentioned in (iii), the lessor shall ensure that the maintenance of the lease of relevant properties to the lessee will be one of the conditions precedent to the transfer of any relevant properties to any third party.

Lionful Education is controlled as to approximately 80.62% and 19.38% by Mr. Li Yunong and Ms. Luo Xinlan, respectively. Pursuant to Rule 14A.07(1) of the Listing Rules, Mr. Li Yunong, a Director and one of the controlling shareholders, and Ms. Luo Xinlan, one of the controlling shareholders, are connected persons of the Company. Lionful Education is a 30%-controlled company (as defined in Rule 14A.12(1)(c) of the Listing Rules) held directly by connected persons as defined in Rule 14A.07(1) of the Listing Rules, and hence an associate of Mr. Li Yunong and Ms. Luo Xinlan and a connected person of the Company.

The Shijiazhuang Institute of Technology Property Lease Agreement is replaced by the New Lease Agreement. Please refer to the sub-paragraph headed "Non-exempt Connected Transactions – 2. Acquisition of Properties and Lease of Premises" above for more details.

2. Saintach Kindergartens Property Lease Agreements

As set out in note 35(c)(ii) to the consolidated financial statements, Blue Crystal Kindergarten and Shijiazhuang City Chang'an District Qinghui Saintach Kindergarten* (石家莊市長安區新天際清暉幼兒園) ("Qinghui Kindergarten") leased certain buildings for use in the operation of their respective kindergartens from Hebei Ansince Property Management Co., Ltd. Shijiazhuang Branch* (河北安信聯行物業股份有限公司石家莊分公司) ("Hebei Ansince Shijiazhuang Branch") at an aggregated annual rental of RMB0.5 million for each of the three years ended 31 December 2020. Set out below are the principal terms and details of the two property lease agreements (collectively, the "Saintach Kindergartens Property Lease Agreements") entered into between each of Blue Crystal Kindergarten and Qinghui Kindergarten and Hebei Ansince Shijiazhuang Branch on 4 May 2018.

Lessee	Lessor	Duration of the Lease	Description and use of the properties leased
1. Blue Crystal Kindergarten	Hebei Ansince Shijiazhuang Branch	For a term ended 31 December 2020, with an option to renew for an additional term upon giving written notice to the lessor three months prior to the expiration	One property used as teaching area with an aggregate construction area of 1,267 sq.m. located in No. 6 Xingfang Street, Shijiazhuang, Hebei Province, the PRC
2. Qinghui Kindergarten	Hebei Ansince Shijiazhuang Branch	For a term ended 31 December 2020, with an option to renew for an additional term upon giving written notice to the lessor three months prior to the expiration	One property used as teaching area with an aggregate construction area of 1,363 sq.m. located in No. 270 Guanghua Road, Chang'an District, Shijiazhuang, Hebei Province, the PRC

Hebei Ansince Shijiazhuang Branch is a branch of Hebei Ansince Property Management Co., Ltd.* (河北安信聯行物業股份有限公司), which was held as to 10% by Ms. Luo Xinlan and 90% by Beijing Yihe Dazhong Commercial Investment Co., Ltd.* (北京宜和大眾商業投資有限公司) ("Beijing Yihe"), respectively as of the date of this annual report. Beijing Yihe was held as to 26.09% by Mr. Li Yunong and 73.91% by Lionful Investment Holding as of the date of this annual report. Accordingly, Hebei Ansince Shijiazhuang Branch is controlled by Mr. Li Yunong and Ms. Luo Xinlan indirectly. Pursuant to Rule 14A.07(1) of the Listing Rules, Mr. Li Yunong, a Director and one of the controlling shareholders and Ms. Luo Xinlan, one of the controlling shareholders, are connected persons of the Company. Hebei Ansince Shijiazhuang Branch is a 30%-controlled company (as defined in Rule 14A.12(1)(c) of the Listing Rules) held indirectly by connected persons as defined in Rule 14A.07(1) of the Listing Rules, and hence an associate of Mr. Li Yunong and Ms. Luo Xinlan and a connected person of the Company.

In 2020, Blue Crystal Kindergarten and Qinghui Kindergarten were converted into kindergartens under public inclusivity system and their rental fees were paid by the government.

3. Entrustment Agreement

As set out in note 35(d)(1) to the consolidated financial statements, on 21 June 2010, Shijiazhuang Institute of Technology entered into the 2010 Entrustment Agreement, pursuant to which Lionful Education engaged Shijiazhuang Institute of Technology, which has sufficient campus management capabilities, to implement the key school operation and student administration of Sifang College West Campus and the yearly entrusted management fee is 65% of the tuition fees generated by Sifang College West Campus. Such rate represents the amount of revenue generated from the tuition fees of Sifang College West Campus to which Lionful Education is entitled as agreed between Lionful Education and Shijiazhuang Tiedao University pursuant to the joint schooling arrangement, which was determined through arm's length negotiation between Lionful Education and Shijiazhuang Tiedao University, taking into account the reputation of Shijiazhuang Tiedao University and the capacity and quality of school facilities provided by Lionful Education to Sifang College West Campus for its operations. The term of the 2010 Entrustment Agreement is ten years commenced on 1 July 2010 and ended on 30 June 2020 and may be renewable by negotiation before expiration of the term.

Lionful Education is controlled by Mr. Li Yunong and Ms. Luo Xinlan as to approximately 80.62% and 19.38%, respectively. Pursuant to Rule 14A.07(1) of the Listing Rules, Mr. Li Yunong, a Director and one of the controlling shareholders, and Ms. Luo Xinlan, one of the controlling shareholders, are both connected persons of the Company. Lionful Education is a 30%-controlled company (as defined in Rule 14A.12(1)(c) of the Listing Rules) held directly by connected persons (as defined in Rule 14A.07(1) of the Listing Rules), and hence an associate of Mr. Li Yunong and Ms. Luo Xinlan and a connected person of the Company.

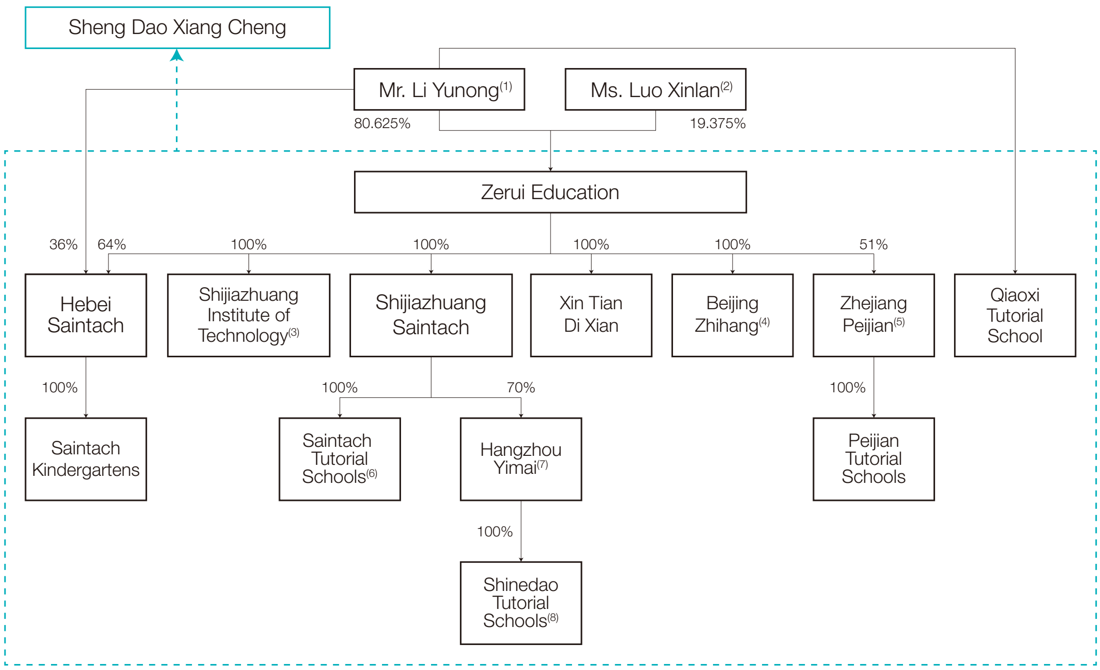
As the 2010 Entrustment Agreement was due to expire on 30 June 2020, Shijiazhuang Institute of Technology entered into a new entrustment agreement (the "New Entrustment Agreement") on 27 May 2020. More details are set forth in the sub-paragraph headed "5. Renewal of the Entrustment Agreement" below.

4. *Structured Contracts*

A. Description

The Company currently conducts its private education business through the PRC Operating Entities in the PRC where PRC laws, regulations and regulatory practice generally restricts the operation of higher, preschool, academic non-credential and secondary vocational education to Sino-foreign ownership with qualification requirements imposed on the foreign owners. The academic non-credential education provided by the Company includes individualized or small group tutoring for primary, middle and high school students, given that these tutoring services are conducted as a supplement to school education and the tutorial schools do not grant diplomas or degrees to its students. The Company does not hold any equity interest or school sponsors' interests in its PRC Operating Entities. In addition to our primary business of private education, we also conducted online to offline education services, which are considered value-added telecommunications services in the PRC, through Xin Tian Di Xian. The PRC laws and regulations currently restrict foreign ownership in enterprises providing value-added telecommunications services, in addition to imposing a qualification requirement on the foreign owners. The Structured Contracts, through which the Company obtains control over and derives economic benefits from its PRC Operating Entities, have been narrowly tailored to achieve its business purpose and minimize the potential conflict with relevant PRC laws and regulations.

The following simplified diagram illustrates the flow of economic benefits from the PRC Operating Entities to the Group stipulated under the Structured Contracts:



Notes:

(1) Mr. Li Yunong is the son-in-law of Ms. Luo Xinlan.

(2) Ms. Luo Xinlan is the mother-in-law of Mr. Li Yunong.

(3) Infirmary of Shijiazhuang Institute of Technology was wholly-owned by Shijiazhuang Institute of Technology.

(4) Beijing Zhihang refers to Beijing Zhihang Education Technology Co., Ltd.* (北京志航教育科技有限公司).

(5) The remaining 49% equity interests of Zhejiang Peijian in total are held by five individual shareholders, who are independent third parties of the Company (as defined under the Listing Rules).

(6) For the illustration purpose of this diagram, Saintach Tutorial Schools include Chang'an Tutorial School, Donggang Tutorial School, Zhicheng Tutorial School, High-tech Zone Tutorial School and Huixuan Tutorial School, and do not include Qiaoxi Tutorial School.

(7) The remaining 30% equity interests of Hangzhou Yimai are held by Ningbo Xuenuo Enterprise Management Co., Ltd.* (寧波學諾企業管理有限責任公司), which is an independent third party of the Company (as defined under the Listing Rules).

(8) The school sponsor's interests in Zhoushan Dinghai Shinedao Education Tutorial School* (舟山市定海區學鼎教育培訓學校), Yuyao Xueneng Tutorial School Limited* (余姚學能培訓學校有限公司), Yuyao Xuedao Education Tutorial School Limited* (余姚學道教育培訓 學校有限公司) and Jiashan County Shinedao Education Tutorial School Limited* (嘉善縣學鼎培訓學校有限公司) are held by Hangzhou Yimai. The school sponsor's interests in Shaoxing Shangyu Shinedao Education Tutorial School* (紹興市上虞區學鼎教育培訓學校) is held by Shaoxing Shangyu Shinedao Education Consultancy Co., Ltd.* (紹興上虞學鼎教育諮詢有限公司), which is wholly-owned by Hangzhou Yimai.

(9) "⟶" denotes direct legal and beneficial ownership in the equity interest or school sponsor's interest.

(10) "- - ->" denotes flow of economic benefits.

B. Summary of the Material Terms of the Structured Contracts

(1) Business Cooperation Agreements

Pursuant to the Business Cooperation Agreements, Sheng Dao Xiang Cheng shall provide technical service and management consultancy service necessary for the private education business pursuant to the Structured Contracts, and in return, the PRC Operating Entities shall make payments pursuant to the Structured Contracts. To ensure the due performance of the Structured Contracts, each of the PRC Operating Entities agreed to comply with, and procure any of its subsidiaries to comply with, the obligations as prescribed under the Business Cooperation Agreements.

In order to prevent the leakage of assets and values of the consolidated affiliated entities, Mr. Li Yunong, Ms. Luo Xinlan and each of the relevant PRC Operating Entities have undertaken that, without prior written consent of Sheng Dao Xiang Cheng or its designated party, he/she/it shall not conduct or cause to conduct any activity or transaction which may have actual adverse impact on the assets, business, staff, obligations, rights or operations of the PRC Operating Entities.

Furthermore, each of Mr. Li Yunong and Ms. Luo Xinlan undertakes to Sheng Dao Xiang Cheng that, without prior written consent of Sheng Dao Xiang Cheng, he or she shall not (i) directly or indirectly engage, participate in or conduct any business or activities which compete or may potentially compete with the business or activities any of the PRC Operating Entities (the "Competing Business"), (ii) acquire or hold any interest in the Competing Business, (iii) use information obtained from any of the PRC Operating Entities for the Competing Business, and (iv) obtain any benefit from any Competing Business.

(2) Exclusive Service Agreements

Pursuant to the Exclusive Service Agreements, Sheng Dao Xiang Cheng, as the exclusive service provider of the PRC Operating Entities, agreed to provide exclusive technical services and exclusive management consultancy services to the PRC Operating Entities related to their business.

In consideration of the technical and management consultancy services provided by Sheng Dao Xiang Cheng, each of the relevant PRC Operating Entities agreed to pay Sheng Dao Xiang Cheng a service fee equal to the respective portion of net profit attributable to the Group after deducting all costs, expenses, taxes, losses from the previous year, social donated capital (if any), state funded capital (if any) and the legally compulsory development fund of the respective school (if required by the law), or a lesser amount determined by Sheng Dao Xiang Cheng at its absolute discretion.

Unless otherwise prescribed under the PRC laws and regulations, Sheng Dao Xiang Cheng shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by Sheng Dao Xiang Cheng to the PRC Operating Entities, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Exclusive Service Agreements and/or any other agreements entered into between Sheng Dao Xiang Cheng and other parties.

(3) Exclusive Call Option Agreements
Under the Exclusive Call Option Agreements, Sheng Dao Xiang Cheng or its designated person have been granted an exclusive right to purchase all or part of the equity interest in Zerui Education, Shijiazhuang Saintach, Hebei Saintach, Zhejiang Peijian, Hangzhou Yimai and Shaoxing Shangyu Shinedao Education Consultancy Co., Ltd.* (紹興上虞學鼎教育諮詢有限公司), and all or part of the school sponsor's interest in Fukang Kindergarten, Tianshan Kindergarten, Lidu Kindergarten, Zhejiang Peijian, Hangzhou Yimai and Shaoxing Shangyu Shinedao Education Consultancy Co., Ltd., Qiaoxi Tutorial School, Peijian Tutorial Schools and Shinedao Tutorial Schools ("Call Options"). The purchase price payable by Sheng Dao Xiang Cheng in respect of the transfer of such equity interest or school sponsor's interest upon exercise of the Call Options shall be RMB1.00 or the lowest price permitted under the PRC laws and regulations. Sheng Dao Xiang Cheng or its designated purchaser shall have the right to purchase such proportion of the equity interest or school sponsor's interest of the PRC Operating Entities as it decides at any time.

In the event that PRC laws and regulations allow Sheng Dao Xiang Cheng or the Company to directly hold all or part of the equity interest or school sponsor's interest in the PRC Operating Entities and operate private education business in the PRC, Sheng Dao Xiang Cheng shall issue the notice of exercise of the Call Options as soon as practicable, and the percentage of equity interest or school sponsor's interest purchased upon exercise of the Call Options shall not be lower than the maximum percentage then allowed to be held by Sheng Dao Xiang Cheng or the Company under PRC laws and regulations.

(4) School Sponsors' and Directors' Rights Entrustment Agreements
Pursuant to the School Sponsors' and Directors' Rights Entrustment Agreements, Sheng Dao Xiang Cheng has been irrevocably authorized and entrusted to exercise all the rights as school sponsor of each of the schools to the extent permitted by the PRC laws, and each of directors or council members of the schools has irrevocably authorized and entrusted Sheng Dao Xiang Cheng or its designated persons to exercise all his/her rights as directors or council members and to the extent permitted by the PRC laws.

In addition, each of the school sponsor and the appointed directors or council members of the schools have irrevocably agreed that, where permissible by PRC laws, (i) Sheng Dao Xiang Cheng may delegate its rights under the School Sponsors' and Directors' Rights Entrustment Agreements to the directors of Sheng Dao Xiang Cheng or its designated persons, without prior notice to or approval by the schools or their appointed directors or council members; and (ii) Sheng Dao Xiang Cheng is entitle to revoke its delegation to the aforesaid directors of Sheng Dao Xiang Cheng or other persons.

(5) Shareholders' Rights Entrustment Agreements
Pursuant to the Shareholders' Rights Entrustment Agreements, Sheng Dao Xiang Cheng has been irrevocably authorized and entrusted to exercise all the rights as shareholders of each of Zerui Education, Hebei Saintach, Shijiazhuang Saintach, Zhejiang Peijian and Hangzhou Yimai to the extent permitted by the PRC laws and the relevant articles of association.

In addition, it has been irrevocably agreed that, without violation of PRC laws, (i) Sheng Dao Xiang Cheng may delegate its rights under the Shareholders' Rights Entrustment Agreement to the directors of Sheng Dao Xiang Cheng or its designated persons, without prior notice to or approval; and (ii) Sheng Dao Xiang Cheng is entitle to revoke its delegation to the aforesaid directors of Sheng Dao Xiang Cheng or other persons.

(6) Equity Pledge Agreements

Pursuant to the Equity Pledge Agreements, the equity holders of the relevant PRC Operating Entities have unconditionally and irrevocably pledged and granted security interests over all of his/her/its equity interest in the relevant PRC Operating Entities have, together with all related rights thereto to Sheng Dao Xiang Cheng as security for performance of the Structured Contracts. In addition, the equity holders shall not, without the prior written consent of Sheng Dao Xiang Cheng, create further pledge or encumbrance over the pledged equity interests.

(7) School Sponsors' Powers of Attorney

Pursuant to the School Sponsors' Powers of Attorney executed by each of the school sponsors in favor of Sheng Dao Xiang Cheng, each of the school sponsors authorized and appointed Sheng Dao Xiang Cheng as his/her/its agent to act on his/her/its behalf to exercise or delegate the exercise of all his/her/its rights as school sponsor of our schools. For details of the rights granted, please see "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (4) School Sponsors' and Directors' Rights Entrustment Agreement" in the Prospectus.

Sheng Dao Xiang Cheng shall have the right to further delegate the rights so granted to its directors or other designated persons. Each of the school sponsors irrevocably agree that the authorization appointment in the School Sponsors' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of Sheng Dao Xiang Cheng's subdivision, merger, winding up, consolidation, liquidation or other similar events. The School Sponsors' Power of Attorney shall constitute a part and incorporate terms of the School Sponsors' and Directors' Rights Entrustment Agreements.

(8) Directors' Powers of Attorney

Pursuant to the Directors' Powers of Attorney executed by each of the directors or council members of the relevant schools in favor of Sheng Dao Xiang Cheng, each of the appointees authorized and appointed Sheng Dao Xiang Cheng as his/her agent to act on his/her behalf to exercise or delegate the exercise of all his/her rights as directors or council members. For details of the rights granted, please see "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (4) School Sponsors' and Directors' Rights Entrustment Agreement" in the Prospectus.

Sheng Dao Xiang Cheng shall have the right to further delegate the rights so granted to its directors or other designated persons. Each of the appointees irrevocably agree that the authorization appointment in the Directors' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of Sheng Dao Xiang Cheng's subdivision, merger, winding up, consolidation, liquidation or other similar events. The Directors' Powers of Attorney shall constitute a part and incorporate terms of the School Sponsors' and Directors' Rights Entrustment Agreements.

(9) Shareholders' Power of Attorney

Pursuant to the Shareholders' Power of Attorney executed by each of equity holders of the relevant PRC Operating Entities in favor of Sheng Dao Xiang Cheng, each of the appointees authorized and appointed Sheng Dao Xiang Cheng as his/her/its agent to act on his/her/its behalf to exercise or delegate the exercise of all the rights as shareholders. For details of the rights granted, please see "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (5) Shareholders' Rights Entrustment Agreement" in the Prospectus.

Sheng Dao Xiang Cheng shall have the right to further delegate the rights so granted to its directors or other designated persons. Each of the appointees irrevocably agree that the authorization appointment in the Shareholders' Power of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of Sheng Dao Xiang Cheng's subdivision, merger, winding up, consolidation, liquidation or other similar events. The Shareholders' Power of Attorney shall constitute a part and incorporate terms of the Shareholders' Rights Entrustment Agreements.

(10) Spouse Undertakings

Pursuant to the Spouse Undertakings, the respective spouse of each of Mr. Li Yunong and Ms. Luo Xinlan, the Registered Shareholders, has irrevocably undertaken that:

(a) the spouse has full knowledge of and has consented to the entering into of the Structured Contracts by the relevant registered Shareholder, whether as a contractual party or not, and in particular, the arrangement as set out in the Structured Contracts in relation to the equity interest and/or school sponsor's interest in the PRC Operating Entities, including but not limited to any restrictions imposed, pledge or transfer or the disposal in any other forms;

(b) the spouse has not, is not and shall not in the future participate in the operation, management, liquidation, dissolution or other matters in relation to the PRC Operating Entities; and

(c) the spouse authorizes the respective registered Shareholder and/or his/her authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in order to safeguard the interest of Sheng Dao Xiang Cheng under the Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures.

The Spouse Undertakings shall have the same terms as and incorporate the terms of the Business Cooperation Agreements.

C. Business Activities of PRC Operating Entities and Their Significance and Financial Contributions to the Group

The main business activities of the PRC Operating Entities are to provide a wide range of students from preschool students in kindergartens of the Group, to primary school, middle school and high school students in tutorial centers of the Group, to junior college and continuing education students in the college of the Group. In addition to our primary business of private education, we also conducted online to offline education services.

Pursuant to the Structured Contracts, the Group obtains control over and derives the economic benefits from the PRC Operating Entities. The table below sets out the financial contribution of the PRC Operating Entities to the Group:

	Significance and financial contribution to the Group		
	Revenue for the year ended 31 December 2020	Net profit for the year ended 31 December 2020	Total assets as at 31 December 2020
PRC Operating Entities	100%	102%	60%

D. Revenue and Assets Involved in Structured Contracts

The table below sets out (i) revenue; and (ii) total assets involved in the PRC Operating Entities as at 31 December 2020, which would be consolidated into the Group's financial statements pursuant to the Structured Contracts:

	Revenue RMB'000	Total assets RMB'000
PRC Operating Entities	253,802	681,873

E. Regulatory Framework

(1) Preschool and Higher Education, Academic Non-credential and Secondary Vocational Education

On 30 June 2019, the National Development and Reform Commission of the PRC and the Ministry of Commerce of the PRC jointly promulgated Special Administrative Measures for Access of Foreign Investment (Negative List) (2019 Edition) (外商投資准入特別管理措施(負面清單) (2019年版)) (the "Negative List"), which became effective on 30 July 2019. Pursuant to the Negative List, the provision of preschool and higher education in the PRC falls within the "restricted" category. In particular, the Negative List explicitly restricts the participation of foreign-invested entities in preschool and higher education to Sino-foreign cooperation, which means that foreign investors may only operate educational institutions offering preschool and higher education through joint ventures with PRC incorporated entities that are in compliance with the Sino-foreign Regulations. In addition, the Negative List also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or chief executive officer of the schools shall be a PRC national, and (b) the representative of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the "Foreign Control Restriction").

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Regulation on Sino-foreign Cooperation in Operating Schools of the PRC (《中華人民共和國中外合作辦學條例》) (the "Sino-Foreign Regulations"), if the Company was to apply for any of the schools for PRC students that is operated by the Group to be reorganized as a Sino-foreign joint venture private school ("Sino-Foreign Joint Venture Private School"), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and high quality of education. Furthermore, pursuant to the Implementation Opinions on Encouraging and Guiding Private Fund's Entry into the Education Sector and Promoting Healthy Development of Private Education (《關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) promulgated by the Ministry of Education of the PRC (the "MOE") on 18 June 2012 ("Implementation Opinions"), the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the "Foreign Ownership Restriction"). As advised by the PRC Legal Advisor, the establishment of a Sino-Foreign Joint Venture Private School offering preschool education is subject to the approval of education authorities at the provincial level, and the establishment of a Sino-Foreign Joint Venture Private School offering junior college education is subject to the approval of education authorities and government at the provincial level and the establishment of a Sino-Foreign Joint Venture Private School offering undergraduate education or above is subject to the approval of education authorities at the national level.

As at the date of this annual report, as advised by the PRC Legal Advisor, the Company does not meet the above qualification requirement since the Company has no experience in operating a school outside the PRC. In addition, it is not practicable for the Company to seek to reorganize any of the PRC Operating Entities as a Sino-Foreign Joint Venture Private School.

The Company has taken particular plans and commenced to implement specific measures, while the Company believes that such plans and measures had considerable significance in striving to demonstrate their compliance with the above qualification requirement. Please also refer to the section headed "Structured Contracts" in the Prospectus for details of the efforts and actions made by the Group in accordance with the above qualification requirement.

As advised by the PRC Legal Advisor, none of the implementation regulations related to the above qualification requirement was updated since the Listing Date up to 31 December 2020.

(2) Online to Offline ("O2O") Education Services

In addition to our primary business of private education, we also conducted O2O education services, which are considered value-added telecommunications services in the PRC, through Xin Tian Di Xian, which has obtained the ICP License required for carrying out value-added telecommunications services and operating our O2O education services. The PRC laws and regulations currently restrict foreign ownership in enterprises providing value-added telecommunications services, in addition to imposing a qualification requirement on the foreign owners.

As advised by our PRC Legal Advisor, according to the Negative List, the foreign investors are prohibited from holding more than 50% equity interest in the value-added telecommunications services offered by Xin Tian Di Xian. According to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (revised in 2016) (外商投資電信企業管理規定(2016年修訂)) ("FITE Regulations"), foreign investors are not allowed to hold more than 50% equity interest in a company providing value-added telecommunications services, including ICP services. In addition, a foreign investor who invests in a foreign-invested value-added telecommunications enterprise in the PRC must demonstrate a good track record and experience in operating value-added telecommunications businesses ("VDT Qualification Requirement"). Moreover, foreign investors that meet these requirements must obtain approvals from the Ministry of Industry and Information Technology of the PRC ("MIIT"), or its authorized local counterparts, which retain considerable discretion in granting approvals, for the commencement of that investor of value-added telecommunications businesses in the PRC. Currently, none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the VDT Qualification Requirement. On 1 August 2019, the MIIT issued A Guidance Memorandum on the Application Requirements for Establishing Foreign-invested Telecommunications Enterprises (外商投資經營電信業務審批服務指南) ("Guidance Memorandum") in the PRC. According to the Guidance Memorandum, if any foreign investor intends to invest in the telecommunications business in the PRC and it is the main foreign investor, it is required to provide, among other things, the materials to prove its operation experience on telecommunications business.

As at the date of this annual report, the Company does not meet the VDT Qualification Requirement since we have no experience in operating any value-added telecommunications business outside the PRC. In order to comply with the PRC laws and regulations while availing the Company to the international capital markets and maintaining effective control over Xin Tian Di Xian, the Company adopts the Structured Contracts to gain effective control over, and receive all the economic benefits generated by the business currently operated by the PRC Operating Entities, and consolidate the financial and results of operations of the PRC Operating Entities as if they were wholly-owned subsidiaries of the Group.

(3) Foreign Investment Law

On 15 March 2019, the Foreign Investment Law was formally adopted by the 13th National People's Congress, which took force from 1 January 2020. The Foreign Investment Law does not explicitly stipulate contractual arrangement constitutes a form of foreign investment. As advised by the PRC Legal Advisor, as contractual arrangement is not classified as an investment under the Foreign Investment Law, and if contractual arrangement is not included as a form of foreign investment into future laws, administrative regulations or provisions of the State Council, the Structured Contracts of the Company as a whole and the various agreements underlying the Structured Contracts will not be affected. Despite the above, the Foreign Investment Law stipulates that foreign investments include "investments made by foreign investors in the manners prescribed by laws, administrative regulations or otherwise by the State Council". Therefore, future laws, administrative regulations or provisions of the State Council may regard contractual arrangement as a form of foreign investment, and it is uncertain whether the Company's Structured Contracts will be recognized as foreign investments, whether they will be considered as violating foreign investment access requirements and how the above Structured Contracts will be handled. As such, there is no assurance that the Company's Structured Contracts and the business of the PRC Operating Entities will not be materially and adversely affected in the future.

Save as disclosed, the Company and the Board, after consulting the PRC Legal Advisor, are satisfied that there are no other up-to-date information on the Foreign Investment Law.

F. *Risks Associated with the Arrangements and the Actions Taken to Mitigate the Risks*

Foreign investment in the education industry in China is extensively regulated and subject to numerous restrictions. Under the Foreign Investment Catalog, preschool education and higher education are restricted industries for foreign investors, and foreign investors are only allowed to invest in preschool education and higher education in cooperative ways and the domestic party shall play a dominant role in the cooperation. Furthermore, under the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), which was issued by the MOE on 18 June 2012, the foreign portion of the total investment in a Sino-foreign joint venture private school should be below 50%. According to relevant regulations and as confirmed by the Commission of Education in Hebei Province, the foreign investors invested in preschools, higher education, academic non-credential and secondary vocational education must be foreign educational institutions with relevant qualification and experience.

In addition to our primary business of private education, we also conducted O2O education services, which considered as value-added telecommunications services in the PRC, through Xin Tian Di Xian, and it has obtained the ICP License required for carrying out value-added telecommunications services and operating our O2O education services. The PRC laws and regulations currently restrict foreign ownership in enterprises providing value-added telecommunications services, as well as imposing a qualification requirement on the foreign owners.

Accordingly, foreign investment in preschools, higher education, academic non-credential and secondary vocational education, and O2O education services is not prohibited. However, Sheng Dao Xiang Cheng, a subsidiary of the Company, is ineligible to independently or jointly operate preschools, higher educational institutions, academic non-credential and secondary vocational education, and O2O education services. Accordingly, the Company has been and are expected to continue to be dependent on our Structured Contracts to operate its businesses.

Please also refer to the section headed "Risk Factors – Risks Relating to Our Structured Contracts" in the Prospectus.

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of and compliance with the Structured Contracts:

(a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities shall be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(b) the Board shall review the overall performance of and compliance with the Structured Contracts at least once a year;

(c) the Company shall disclose the overall performance and compliance with the Structured Contracts in its annual reports and interim reports to update the Shareholders and potential investors;

(d) the Company and the Directors have undertaken to provide periodic updates in the annual and interim reports regarding the qualification requirements and the status of compliance with the Foreign Investment Law, including the latest relevant regulatory development, as well as the plan and progress towards demonstrating compliance with the qualification requirements;

(e) the Company shall disclose, as soon as possible (i) any updates of changes to the Foreign Investment Law that will materially and adversely affect the Company as and when they occur; and (ii) a clear description and analysis of the Foreign Investment Law as implemented, specific measures taken by the Company to fully comply with the Foreign Investment Law supported by a PRC legal opinion and any material impact of the Foreign Investment Law on the operations and financial position of the Company; and

(f) the Company shall engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Structured Contracts and the legal compliance of Sheng Dao Xiang Cheng and the PRC Operating Entities to deal with specific issues or matters arising from the Structured Contracts.

In addition, notwithstanding that one of the Directors, Mr. Li Yunong, is also one of the Registered Shareholders, the Company believes that the Directors are able to perform their roles in the Group independently and the Group is capable of managing its business independently under the following measures:

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

(b) each of the Directors is aware of his or her fiduciary duties as a Director which requires, amongst other things, that he or she acts for the benefits and in the best interests of the Group;

(c) the Company has appointed three independent non-executive Directors, comprising more than one-third of the Board, to provide a balance of the number of interested and independent non-executive Directors with a view to promoting the interests of the Company and the Shareholders as a whole; and

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

G. *Material Changes*

Save as disclosed above, as of the date of this annual report, there were no material changes in the Structured Contracts and/or the circumstances under which the Structured Contracts were adopted.

H. *Unwinding of the Structured Contracts*

As of the date of this annual report, there has not been any unwinding of any Structured Contracts, nor has there been any failure to unwind any Structured Contracts when the restrictions that led to the adoption of the Structured Contracts are removed. For more details, please refer to the section headed "Structured Contracts – Circumstances in Which We Will Unwind the Structured Contracts" of the Prospectus. In the event that the PRC regulatory environment changes and all of the qualification requirements, the foreign ownership restrictions and the foreign control restrictions are removed (and assuming there are no other changes in the relevant PRC laws and regulations), Sheng Dao Xiang Cheng will exercise the Equity Call Option in full to unwind the contractual arrangements so that the Company will be able to directly operate the schools without using the Structured Contracts.

5. Renewal of the Entrustment Agreement

On 21 June 2010, Shijiazhuang Institute of Technology entered into the 2010 Entrustment Agreement with Lionful Education. For further details, please refer to the sub-paragraph headed "3. Entrustment Agreement" above.

As the 2010 Entrustment Agreement was due to expire on 30 June 2020, Shijiazhuang Institute of Technology entered into the New Entrustment Agreement with Lionful Education on 27 May 2020 in light of the business needs and benefits of the transactions thereunder.

Pursuant to the New Entrustment Agreement, Lionful Education engaged Shijiazhuang Institute of Technology, which has sufficient campus management capability, to implement the key school operation and student administration of Sifang College West Campus. The principal terms of which are summarized as follows:

1. Lionful Education entrusts Shijiazhuang Institute of Technology to implement the teaching and operation of the Sifang College West Campus under the joint schooling arrangement, and pays Shijiazhuang Institute of Technology the entrustment fee, and Shijiazhuang Institute of Technology guarantees the normal operation of the Sifang College West Campus.

2. Shijiazhuang Institute of Technology is responsible for, among others, organizing teaching according to Sifang College's training plan and curriculum syllabus; assessment of students ensuring the quality of teaching and management of the teaching premises.

3. Shijiazhuang Institute of Technology has the right to obtain entrustment fees in a timely and reasonable manner. The entrustment fee shall be confirmed and settled every month.

4. The yearly entrustment fee is 65% of the tuition generated by Sifang College West Campus. Such rate represents the amount of revenue generated from Sifang College West Campus' tuition to which Lionful Education is entitled as agreed between Lionful Education and Shijiazhuang Tiedao University pursuant to the joint schooling arrangement.

The entrustment fee was determined through arm's length negotiation between Lionful Education and the Group, taking into account of the reputation of Shijiazhuang Tiedao University and the capacity and quality of school facilities provided by Lionful Education to Sifang College West Campus for its operations.

For each of the three years ending 31 December 2022, the proposed annual caps of the New Entrustment Agreement are no more than RMB24.0 million, RMB24.0 million and RMB24.0 million, respectively.

The proposed annual caps were determined with reference to (i) the historical amounts of the revenue generated from tuition from Sifang College West Campus; and (ii) the expected increase in tuition of Sifang College West Campus.

6. ***Confirmation of Independent Non-executive Directors***

The independent non-executive Directors have reviewed the abovementioned continuing connected transactions above and confirmed that such transactions were:

(1) entered into in the ordinary and usual course of business of the Group;

(2) conducted on normal commercial terms; and

(3) carried out according to the relevant agreements governing such transactions on fair and reasonable terms and in the interest of the Shareholders as a whole.

In particular, the independent non-executive Directors have reviewed the Structured Contracts and confirmed that:

(1) the transactions carried out during the year ended 31 December 2020 were entered into in accordance with the relevant provisions of the Structured Contracts, and were operated so that the profit generated by the PRC Operating Entities was substantially retained by the Group;

(2) no dividends or other distributions were made by the PRC Operating Entities to the holders of its school sponsor's interest which were not otherwise subsequently assigned or transferred to the Group; and

(3) the Structured Contracts and if any, any new contracts entered into, renewed or reproduced between the Group and the PRC Operating Entities during the year ended 31 December 2020 were fair and reasonable or advantageous to the Shareholders and the Group, and in the interests of the Shareholders as a whole.

7. ***Confirmation of the Company's Auditor***

Ernst & Young, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The Company's auditor has performed certain pre-determined review procedures in respect of the continuing connected transactions of the Group set out above for the year ended 31 December 2020, and reported to the Board that:

(1) nothing has come to its attention that causes it to believe that such continuing connected transactions have not been approved by the Board;

(2) nothing has come to its attention that causes it to believe that such continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Company;

(3) nothing has come to its attention that causes it to believe that such continuing connected transactions were not entered into, in all material respects, in accordance with relevant agreements governing the transactions;

(4) in respect of the transactions under the Structured Contracts, no dividends or other distributions have been made by the PRC Operating Entities to the Registered Shareholders which are not otherwise subsequently assigned or transferred to the Group; and

(5) in respect of such continuing connected transactions other than the transactions under the Structured Contracts, nothing has come to its attention that causes it to believe that the transaction amounts exceeded the annual caps.

• RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 December 2020 are set out in note 35 to the consolidated financial statements.

The amount advanced to Lionful Education as set out under Note 35(b) of the financial statements refers to the prepayment for a connected transaction of acquisition of long term assets of student apartments and a land use right. For further details, please refer to the paragraph headed "Non-exempt connected transactions — 2. Acquisition of properties and lease of premises" above and the announcement of the Company dated 20 November 2020.

The transaction with Lionful Education as set out under Note 35(c) of the financial statements refers to the connected transaction of leasing of properties under a property leasing agreement with Lionful Education. For further details, please refer to the paragraph headed "Non-exempt connected transactions — 1. Shijiazhuang Institute of Technology Property Lease Agreement" above, the Prospectus and the announcement of the Company dated 20 November 2020.

The transaction with Lionful Education as set out under Note 35(d) of the financial statements refers to a continuing connected transaction of the Company, whereby the Group provided college operation services to Lionful Education in connection with the operation of the west campus of Shijiazhuang Tiedao University Sifang College. Please refer to the paragraphs headed "Non-exempt continuing connected transaction — 3. Entrustment agreement" and "Non-exempt continuing connected transaction — 5. Renewal of the Entrustment agreement" above, the announcement of the Company dated 27 May 2020 and the circular of the Company dated 17 June 2020, for further details.

Save as disclosed above, and other than Handan Meijia Youbao Education Consulting Co., Ltd.* (邯鄲市美家優寶教育諮詢有限公司), which is not a connected person of the Company within the meaning of the Listing Rules, the rest of the related party transactions conducted in the year ended 31 December 2020 constituted connected transactions or continuing connected transactions of the Group as defined in the Listing Rules, but are fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules.

• MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct regarding Directors' securities transactions. Upon specific enquiries to all the Directors, each of them has confirmed that he/she complied with the requirements set out in the Model Code during the year ended 31 December 2020.

By order of the Board
Li Yunong
Chairman

Hong Kong, 31 March 2021

VII. Corporate Governance Report

The Board is pleased to present the corporate governance report set out in the annual report of the Company for the year ended 31 December 2020.

• CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code contained in Appendix 14 to the Listing Rules as its own code of corporate governance.

For the year ended 31 December 2020, the Company has complied with all applicable code provisions under the CG Code and adopted most of the recommended best practices set out therein. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the CG Code.

• THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the 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 the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the nomination committee of the Company (the "Nomination Committee") (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Company has purchased appropriate liability insurances for the legal proceedings that the Directors may be involved in, and will review the insurance coverage on a yearly basis.

• BOARD COMPOSITION

During the year ended 31 December 2020, the Board comprised five executive Directors and three independent non-executive Directors detailed as follows:

Executive Directors:
Mr. Li Yunong
Ms. Liu Hongwei
Mr. Ren Caiyin
Mr. Liu Zhanjie①
Ms. Yang Li
Mr. Li Yasheng②

Independent non-executive Directors:
Mr. Guo Litian
Mr. Yao Zhijun
Mr. Wan Joseph Jason

Notes:

① ceased on 31 March 2021
② appointed on 31 March 2021

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

For the year ended 31 December 2020, the Board has complied with the requirements under Rule 3.10(1) and Rule 3.10(2) of the Listing Rules that at least three independent non-executive directors shall be appointed with at least one independent non-executive director possessing appropriate professional qualifications or accounting or relevant financial management expertise. The Company has also complied with the requirements under Rule 3.10A of the Listing Rules that the number of independent non-executive directors appointed shall be equivalent to one-third of the number of board members.

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

Save as disclosed in the biographies of the Directors as set out in the section headed "Directors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executive of the Company.

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

As regards the code provisions under the CG Code requiring Directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identities and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

• INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All newly appointed Directors would be provided with necessary induction training and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide the Directors with updates on the 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 the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors are encouraged by the Company to participate in continuous professional development to develop and refresh their knowledge and skills. From time to time, the joint company secretaries of the Company update and provide the Directors with written training materials in relation to their roles, functions and duties.

A summary of training received by the Directors for the year ended 31 December 2020 according to the information provided by the Directors is as follows:

Name of Director	Nature of continuous professional development program
Executive Directors:	
Mr. Li Yunong	A/B/C/D[1]
Ms. Liu Hongwei	A/B/C/D
Mr. Ren Caiyin	A/B/C/D
Mr. Liu Zhanjie[2]	A/B/C/D
Ms. Yang Li	A/B/C/D
Independent non-executive Directors:	
Mr. Guo Litian	A/B/C/D
Mr. Yao Zhijun	A/B/C/D
Mr. Wan Joseph Jason	A/B/C/D

Note 1: A: attending seminars and/or conferences and/or forums and/or briefings; B: making speeches at seminars and/or conferences and/or forums; C: participating in trainings provided by law firms and that relating to the business of the issuer; D: reading materials on various topics, including corporate governance, directors' duties, Listing Rules and the amendments to other relevant laws.

2: Mr. Liu Zhanjie has ceased to be an executive Director on 31 March 2021.

• CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In accordance with the code provision A.2.1 of the CG Code, the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual.

Mr. Li Yunong acts as the chairman of the Board. Ms. Liu Hongwei acts as the chief executive officer of the Company (the "Chief Executive Officer"). The chairman of the Board is responsible for the overall formulation of business strategy and guidance of development of the Group, and the Chief Executive Officer is responsible for the overall operations and development of the Group, thus separating these two different positions by function.

• APPOINTMENT OF DIRECTORS

Mr. Li Yunong, Ms. Liu Hongwei, Mr. Ren Caiyin, Mr. Liu Zhanjie (ceased to be an executive Director on 31 March 2021) and Ms. Yang Li has each entered into a service contract with the Company for a term of three years commencing on the Listing Date, which may be renewable automatically for three years and subject to termination in accordance with the provisions of the service contract. Mr. Li Yasheng has entered into a service contract with the Company for a term of three years commencing on 31 March 2021, which may be renewable automatically for three years and subject to termination in accordance with the provisions of the service contract.

Mr. Guo Litian and Mr. Yao Zhijun have each entered into a letter of appointment with the Company for a term of one year commencing on the Listing Date, which may be subject to termination in accordance with the provisions of the letter of appointment. Mr. Wan Joseph Jason has entered into a letter of appointment with the Company for a fixed term of one year commencing on 6 March 2019, which may be subject to termination in accordance with the provisions of the letter of appointment

None of the Directors has entered into any service contract with the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

• BOARD MEETINGS

The Company has adopted the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of no less than fourteen days are given for 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 meetings and Board Committee meetings, reasonable notice will be given by the Company. The agenda and accompanying board documents included in the notice of meetings are dispatched at least three days before the date of the Board meetings or Board Committee meetings to ensure that the Directors have sufficient time to review the documents and be adequately prepared for the meetings. When the Directors or the 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 of the Board prior to the meeting. Minutes of meetings shall be kept by the joint company secretaries with copies circulated to all Directors for reference and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail on 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/will be sent to the Directors for their consideration within a reasonable time after the date on which the meeting is held. The minutes of Board meetings are open for inspection by the Directors.

For the year ended 31 December 2020, the Board held 11 Board meetings, including 4 regular Board meetings, and held one AGM and two extraordinary general meetings. Attendance of individual Directors at Board meetings and the general meetings are set out in the table below:

Director	Number of Board meetings attended/number of Board meetings	Number of general meetings attended/number of general meetings
Executive Directors:		
Mr. Li Yunong	11/11	3/3
Ms. Liu Hongwei	11/11	3/3
Mr. Ren Caiyin	11/11	3/3
Mr. Liu Zhanjie	11/11	3/3
Ms. Yang Li	11/11	3/3
Independent non-executive Directors:		
Mr. Guo Litian	11/11	3/3
Mr. Yao Zhijun	11/11	3/3
Mr. Wan Joseph Jason	11/11	3/3

• MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiries have been made to all the Directors and each of the Directors has confirmed that he/she has complied with the code provisions of the Model Code during the year ended 31 December 2020.

For the year ended 31 December 2020, the Company also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standards 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 the Company in respect of their dealings in the Company's securities.

DELEGATION BY THE BOARD

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

The daily management, administration and operation of the Group are delegated to the senior management of the Company. 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 senior management of the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board recognizes that corporate governance should be the collective responsibility of the Directors, and their corporate governance functions include:

(1) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(2) to review and monitor the training and continuous professional development of the Directors and senior management of the Company;

(3) to develop, review and monitor the code of conduct and compliance manual applicable to the employees and the Directors;

(4) to develop and review the Company's policies and practices on corporate governance and to make recommendations to the Board and report on relevant matters;

(5) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and

(6) to review and monitor the Company's compliance with the Company's whistleblowing policy.

BOARD COMMITTEES

Audit Committee

For the year ended 31 December 2020, the Audit Committee comprised three members, namely Mr. Yao Zhijun (chairman), Mr. Guo Litian and Mr. Wan Joseph Jason, all of whom are independent non-executive Directors.

The main duties and responsibilities of the Audit Committee are as follows:

(1) to assure that adequate internal controls are in place and followed;

(2) to assure that appropriate accounting principles and reporting practices are followed;

(3) to provide liaison among the Shareholders, management of the Company, the authorized independent auditors (the "External Auditor"), internal auditors or any person responsible for internal audit function (the "IA People");

(4) to consider the qualifications and independence of the External Auditor;

(5) to satisfy itself as to compliance with any applicable legal requirements;

(6) to review the representations related to corporate on audit and control made to External Auditor, IA People and to the Shareholders;

(7) to ensure itself that good accounting and audit policy, internal control, code of conduct and proper business ethics have been followed;

(8) to contribute towards a climate of discipline, risk management awareness and control within the Group; and

(9) to perform any other duties as delegated by the Board.

The written terms of reference of the Audit Committee are available for inspection on the websites of the Stock Exchange and the Company.

For the year ended 31 December 2020, the Audit Committee held 2 meetings. A summary of work performed by the Audit Committee is as follows:

- to review the annual results of the Company and its subsidiaries for the current financial year and the audit report prepared by the External Auditor on accounting matters and significant findings during the audit;

- to review the interim results of the Company and its subsidiaries for the six months ended 30 June 2020; and

- to review the financial reporting system, compliance procedures, internal control (including whether the resources, qualifications, training courses and budgets for employees of the accounting and financial reporting departments of the Company were sufficient), risk management system and procedures, and the re-appointment of the External Auditor. The Board had not deviated from any recommendations made by the Audit Committee regarding the selection, appointment, retirement or removal of the External Auditor.

  Attendance of the members of the Audit Committee at the meetings is set out in the table below:

Name of Director	Number of attendance/number of meeting
Mr. Yao Zhijun	2/2
Mr. Guo Litian	2/2
Mr. Wan Joseph Jason	2/2

- **Nomination Committee**

  For the year ended 31 December 2020, the Nomination Committee comprised three members, namely one executive Director, Mr. Li Yunong (chairman), and two independent non-executive Directors, Mr. Yao Zhijun and Mr. Wan Joseph Jason.

The main duties and responsibilities of the Nomination Committee are as follows:

(1) to review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's strategy;

(2) to identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable candidates, the Nomination Committee shall consider candidates on merit and against the objective criteria, with due regard for the benefits of diversity of the Board;

(3) to assess the independence of independent non-executive Directors; and

(4) to 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 officer, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future.

The written terms of reference of the Nomination Committee are available for inspection on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2020, the Nomination Committee held one meeting. The work performed by the Nomination Committee is summarized as follows:

- The Nomination Committee reviewed the structure, size and composition of the Board. The Board Diversity Policy and Directors subject to re-election and retirement by rotation were also reviewed.

  Attendance of the members of the Nomination Committee at the meeting is set out in the table below:

Director	Number of attendance/number of meeting
Mr. Li Yunong	1/1
Mr. Yao Zhijun	1/1
Mr. Wan Joseph Jason	1/1

- **Board Diversity Policy and Nomination Policy**

Purposes

(1) to guide the Board in relation to appointment/re-appointment/removal of Directors;

(2) to devise criteria for performance evaluation of the independent non-executive Directors and the Board as a whole;

(3) to devise a policy on the size and composition of the Board taking into account the suitability, diversity and balance in terms of experience, knowledge, skills and judgment of the Directors.

Board Diversity

The Nomination Committee has formulated the "Board Diversity Policy" in respect of the nomination and appointment of new Directors, which states that, the criteria for selecting Director candidates shall include various diversity factors such as gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service, and the final candidates will be determined based on their comprehensive capabilities and the contributions they may make to the Board. The Company aims to maintain the balanced and diversified opinions of the Board members in respect of the business development of the Company.

Nomination and Re-election of Board Members

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 for making recommendations to the Board on the appointment, re-election and succession planning of Directors. After the Nomination Committee makes its recommendations to the Board, the Board will have final authority on determining the selection of the candidates for nomination to the Board.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. The Nomination Committee shall obtain all applicable declarations and undertaking as provided under the laws of the Cayman Islands and the Listing Rules. In case of independent non-executive Directors, the Nomination Committee shall ensure that the independent non-executive Directors meet the criteria of independence as set out in the Listing Rules.

Once the Nomination Committee determines that an additional or replacement Director is required, the Nomination Committee may take such measures that it considers appropriate in connection with its evaluation of a candidate, including candidate interviews, inquiry of the person or persons making the recommendation or nomination, engagement of an external search firm to gather additional information, or reliance on the knowledge of the members of the Nomination Committee, the Board or the management.

According to the Articles of Association, all the Directors shall retire by rotation once at least every three years. Any new Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and be subject to re-election by Shareholders at such meeting, and any Director appointed by the Board as an addition to the Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election.

- **Remuneration Committee**

During the year ended 31 December 2020, the Remuneration Committee comprised three members, namely two independent non-executive Directors, i.e. Mr. Wan Joseph Jason (chairman) and Mr. Guo Litian, and one executive Director, i.e. Mr. Liu Zhanjie.

On 31 March 2021, Mr. Liu Zhanjie ceased to be, among others, an executive Director and a member of Audit Committee, and Mr. Li Yasheng was appointed to take up those positions. As the date of this annual report, the Audit Committee comprised three independent non-executive Directors, namely Mr. Yao Zhijun (chairman), Mr. Guo Litian and Mr. Li Yasheng.

The main duties and responsibilities of the Remuneration Committee are as follows:

(1) to consult the chairman and/or Chief Executive Officer about their remuneration proposals for other executive Directors;

(2) to make recommendations to the Board on the remuneration policy and structure for the Directors' and the Company's senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;

(3) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(4) to determine, with delegated responsibility, or to make recommendations to the Board, the remuneration packages of individual executive Directors and senior management. The remuneration packages should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(5) to make recommendations to the Board on the remuneration of non-executive Directors;

(6) to consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;

(7) to review and approve compensation payable to executive Directors and the senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms;

(8) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms;

(9) to ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration; and

(10) in respect of any service contract to be entered into between any members of the Group and its Director or proposed Director that requires Shareholders' approval, to review and provide recommendation to the Shareholders as to whether the terms of the service contracts are fair and reasonable and whether such service contracts are in the interests of the Company and the Shareholders as a whole, and to advise Shareholders on how to vote.

The written terms of reference of the Remuneration Committee are available for inspection on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2020, the Remuneration Committee held four meetings, the work performed by the Remuneration Committee is summarized as follows:

- The Remuneration Committee discussed on the Company's remuneration policy, the Company's structure, and Directors' and the senior management's remuneration structure and grant of Options and Share Award Scheme, and make recommendations to the Board on such matters.

  Attendance of the members of the Remuneration Committee at the meetings is set out in the table below:

Name of Director	Number of attendance/number of meeting
Mr. Wan Joseph Jason	4/4
Mr. Guo Litian	4/4
Mr. Liu Zhanjie	4/4

• REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the Directors and senior management of the Company for the year ended 31 December 2020 falls under the following bands:

Band of remuneration (RMB'000)	Number of individuals
Above 200	8
100-200	5
below 100	3

• DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the audited consolidated financial statements as set out on page 129 of this annual report.

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 the Company's audited consolidated financial statements, which are put to the Board for approval. The Company provides all members of the Board with updates on the Company's performance, positions and prospects.

The statement by the auditor of the Company regarding their reporting responsibilities on the audited consolidated financial statements is set out in the section headed "Independent Auditor's Report" on pages 129 to 130 of this annual report.

• RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for supervising the design, implementation and monitoring of risk management system by the management to ensure the establishment and maintenance of an effective risk management system of the Company and its subsidiaries. The Board keeps supervising risk management and internal control systems of the Company and its subsidiaries and reviews the effectiveness of the risk management and internal control systems of the Group at least once annually. Regular reviews also cover all significant controls, including the controls over finance, operation and compliance with laws and regulations, as well as the risk management function of the Company. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board shall bear full responsibility for maintaining sound and effective risk management and internal control measures to safeguard the assets of the Company and interests of Shareholders. The Directors confirmed that the Company carried out regular inspections on the daily operation, business exploration, investments in acquisition and mergers, internal rules and systems, business procedures, asset management, bidding and tendering processes, contract management, operation procedures, practices and systems through risk control and compliance department to ensure that none of the operating activities of the Company are carried out in violation of the legal requirements in the places where it operates, and safeguard assets from inappropriate use, maintain proper accounts and ensure the compliance with and implementation of relevant regulations.

The internal management mechanism and review procedures currently implemented and put in place by the Company in respect of risk management and compliance management mainly include:

(1) to prepare a risk list based on the contents and types of risks that are common and likely to be encountered in the Company's operations;

(2) to further improve and optimize the Company's contract management measures and management system;

(3) to regularly review and summarize the effectiveness of the Company's risk management, internal control and compliance management systems and measures through pre-established internal assessment mechanisms to achieve effective operations and improve risk management;

(4) to prepare plans for major risks and common risks and provide training and guidance to the operations department on the relevant plans;

(5) to effectively and regularly communicate with the Board and each senior management personnel on risk management, internal control and compliance management to ensure the implementation and practice of the Company's internal risk control and internal audit mechanisms.

The Group established a compliance system of internal control information reporting consisting of internal major information contacts, which mainly includes regular material information reporting and temporary material information reporting, for the purpose of ensuring the effective identification of, and the high efficiency and order of the transmission and usage of, the Group's internal information. The Group complies with requirements of the SFO and the Listing Rules. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is also committed to ensuring that the information contained in announcements are not false or misleading as to a material fact, or false or misleading due to the omission of a material fact with a view to presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts. The Company formulated and published systems including the Management System of Information Disclosure as the internal controlling and safeguarding measures for the processing and releasing procedures of inside information and applied them within the Group.

For the year ended 31 December 2020, the Board has reviewed the effectiveness of the Company's risk management and internal control systems through the Audit Committee, including resource adequacy, as well as the qualifications, experience of and the training plans and budgets for the Group's accounting and financial reporting staff. The Directors all consider that the Group's current risk management and internal control systems are operating effectively and sufficiently.

• DIVIDEND POLICY

The Board considers that stable dividend payment to Shareholders is the primary objective of the Company. It is the policy of the Board, in considering the payment of dividends, to allow Shareholders to share the Company's profits whilst retaining adequate capital for the Group's future growth.

Under the applicable laws of the Cayman Islands and the Articles of Association, all of the Shareholders have equal rights to dividends and distributions. The Board determines the dividend which requires the approval of Shareholders. In addition to cash, dividends may be distributed in the form of Shares. Any distribution of Shares also requires the approval of Shareholders.

The Board takes into account the following factors when considering the declaration and payment of dividends:

(1) liquidity position of the Company;

(2) actual and expected financial results of the Company;

(3) gearing ratio of the Group, Shareholders' interests and any restriction that may be imposed by any creditor;

(4) general business conditions and strategies;

(5) capital requirements;

(6) contractual restrictions on the payment of dividends by the Company to the Shareholders or by the subsidiaries to the Company, if any;

(7) taxation considerations;

(8) general economic conditions and other internal or external factors that may affect the business or financial performance and conditions of the Company;

(9) statutory and regulatory restrictions; and

(10) any other factors the Board may deem relevant.

The Company will not declare any dividend under the following circumstances:

(1) during the growth phase of the Company or any acquisitions requiring high allocation of capital or during significant expansion or undertaking of joint ventures;

(2) whenever the Company proposes or plans to utilize surplus cash to repurchase the Shares;

(3) when profits are inadequate or the Company incurs losses, or there are reasonable grounds for believing that the Company is or would be, after a dividend payment, unable to pay its liabilities or discharge its obligations as and when they become due;

(4) according to other requirements set forth by laws.

The Board will continually review the dividend policy from time to time and no assurance can be given that dividends will be paid in any particular amount for any given period.

• AUDITOR'S REMUNERATION

For the year ended 31 December 2020, the Company appointed Ernst & Young as the External Auditor. The approximate remuneration of the auditor in respect of the audit and non-audit services provided to the Company for the year ended 31 December 2020 is as follows:

Type of services	Amount (RMB'000)
Audit services	1,830
Non-audit services	50
Total	1,880

• JOINT COMPANY SECRETARIES

Mr. Zheng Tieqiu ("Mr. Zheng") was appointed as a joint company secretary of the Company on 28 January 2019. The joint company secretaries of the Company are responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are complied with.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable laws of Hong Kong, the Company also engages Ms. Wong Sau Ping ("Ms. Wong"), an associate director of TMF Hong Kong Limited (a global corporate service provider), as the other joint company secretary of the Company to assist Mr. Zheng to discharge his duties as joint company secretary of the Company. Mr. Zheng is the primary contact person of Ms. Wong at the Company.

For the year ended 31 December 2020, Mr. Zheng and Ms. 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

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information on the Company, which enables Shareholders and investors to make informed investment decisions.

Annual general meetings provide opportunities for Shareholders to communicate directly with the Directors. The chairman of the Company and the chairmen of the Board Committees will attend the annual general meetings to answer questions from the Shareholders. The External Auditor will also attend the annual general meetings to answer inquiries concerning the conduct of the audit, the preparation and contents of the auditor's report, the accounting policies and auditor's independence.

To promote effective communication, the Company adopts a Shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at www.21centuryedu.com and enquiry channels for investors (telephone: +86 10 65951509; email: ir@21stedu.com), where updates on the Company's business operations and development, corporate governance practices and other information are available for public access. Shareholders may make enquires about the Company to the Board through the channels above.

• SHAREHOLDERS' RIGHTS

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

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

• CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

According to the Articles of Association, Shareholders may put forward proposals for consideration at the general meetings of the Company. Any one or more Shareholder(s), at the date of deposit of the requisition, holding not less than one-tenth of the paid up share capital of the Company carrying the right of voting at the general meetings of the Company shall at all times have the right, by written requisition to the Board or any one of the joint company secretaries of the Company to require an extraordinary general meeting to be called 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 after such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself/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 to convene such general meeting shall be reimbursed to the requisitionist(s) by the Company.

For recommending a Director candidate, please refer to the relevant procedures on the Company's website.

• AMENDMENTS TO THE CONSTITUTIONAL DOCUMENTS

For the year ended 31 December 2020, the Articles of Association have not been amended and restated.

VIII. Environmental, Social and Governance Report

ABOUT THIS REPORT

Brief Introduction

This Environmental, Social and Governance Report ("Report") is the third Environmental, Social and Governance Report issued by China 21st Century Education Group Limited. The purpose of this Report is to present our environmental, social and governance performance in 2020 to 21st Century Education's key stakeholders in an open and transparent manner so that they can better understand our sustainability philosophy, actions and related performance.

This Report will focus on the management and performance of 21st Century Education in environment and social aspects. For information on our performance in corporate governance, please refer to the section headed "Corporate Governance Report".

Reporting Scope

Unless otherwise stated, this report covers the educational institutions of 21st Century Education in the PRC, including the related businesses of Shijiazhuang Institute of Technology, Saintach Tutorial Schools and Saintach Kindergartens. The time period covered by this Report is from 1 January 2020 to 31 December 2020, same as that of the 2020 annual report.

Basis of the Report

This report is prepared with reference to the Environmental, Social and Governance Reporting Guide (the "ESG Guide") set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by the Stock Exchange in 2016.

The preparation of this Report is based on the principles of materiality, quantitative, consistency and balance set out in the ESG Guide and has been in compliance with all the "comply or explain" provisions thereunder.

Cautionary Statement

This report has been prepared and published in both Traditional Chinese and English. In the event of any inconsistency, the Traditional Chinese version shall prevail. Soft copy of this Report is available for reading and downloading on the official websites of 21st Century Education and the Stock Exchange.

Contact Information

21st Century Education attaches great importance to the views, opinions and suggestions of the stakeholders. Should you have any enquiry or comment on the content of this report, please feel free to contact us through the following:

Telephone: 010-65951509

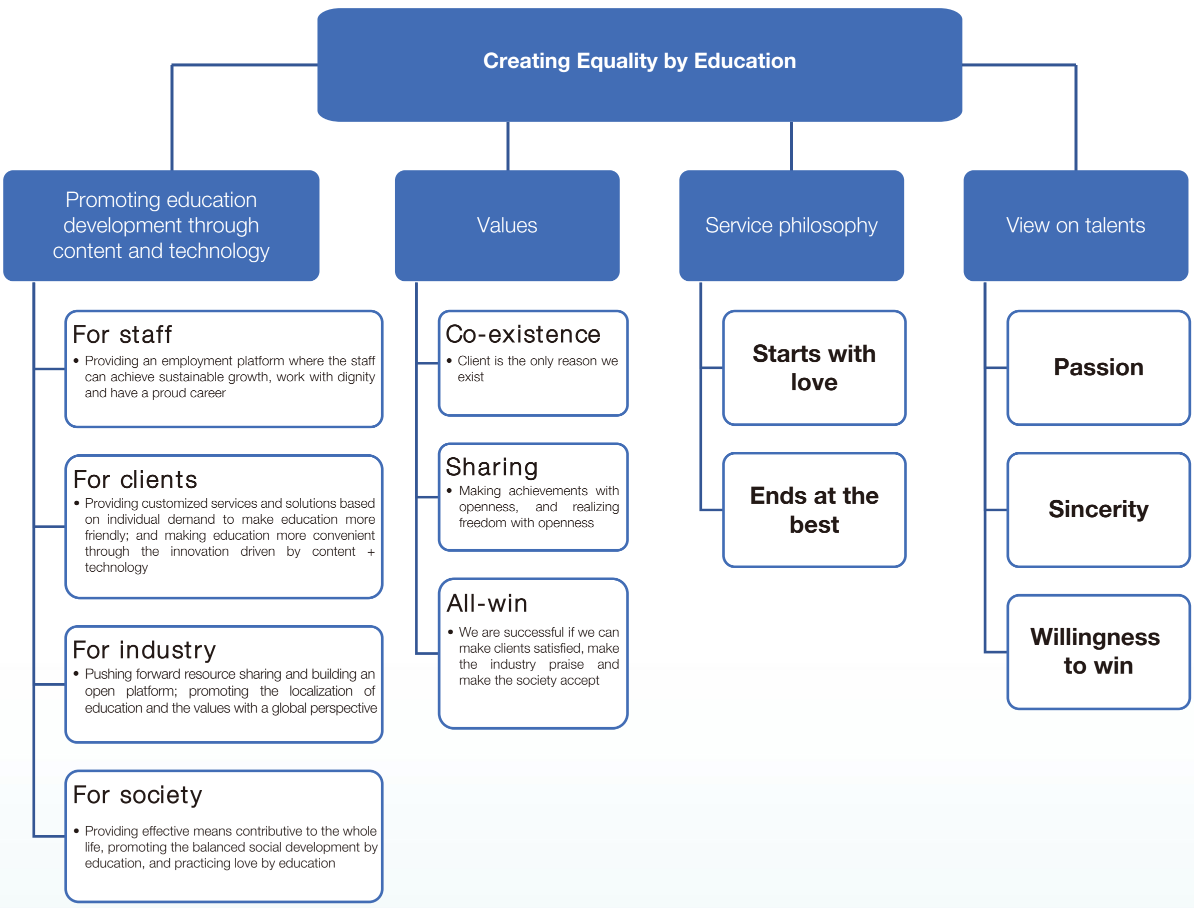
Email: info@21stedu.com

Company address: 15th Floor, South Building, China Overseas Plaza, Chaoyang District, Beijing

ABOUT 21ST CENTURY EDUCATION

21st Century Education focuses on education industry operation and content incubation, building a full education industry chain operation and consistently providing customers with quality education services and solutions based on individualized needs. We are committed to our mission of "promoting education development through content and technology" and are focused on enhancing the efficiency of education operations and customer experience through technology empowerment. With our innovative education system and standardized management, we actively create conditions for students' future development, so that they can learn and use what they learn. As a witness and practitioner of China's education reform and development, 21st Century Education contributes to the practice of lifelong education through a strategic layout of "full courses, full cycle, full scenarios"[1], and truly realizes "Creating Equality by Education".

As of the end of the Reporting Period, we have established 22 schools, including one private college (Shijiazhuang Institute of Technology) in the field of vocational education, six Saintach Tutorial Schools in the field of quality-oriented education, which consist of 11 Saintach Tutorial Centers, 2 Peijian Tutorial Schools, 5 Shinedao Tutorial Schools and 8 Saintach Kindergartens and are responsible for the custody of the west campus of Sifang College.



1 " full courses" means "vocational education and quality-oriented education"; "full cycle" means "higher diploma education, continuing education, K12 education and preschool education"; "full scenarios" means "online education, extra-curricular tutoring and family education".

FOCUS ON EFFECTIVE COMMUNICATION

The sustainable development of 21st Century Education is closely related to the concerns of our stakeholders. In the course of our business, we listen to the needs of our stakeholders and understand their expectations and opinions on our ESG aspects, which serve as an important basis for improving our ESG work. In order to actively maintain close contact with internal and external stakeholders, we have established the following diversified communication channels to maintain effective communication with investors, government and regulatory authorities, students and parents of the student, and other stakeholders to continuously improve the Group's sustainable development strategies and plans.

Stakeholders	Expectations and demands	Communication channels
Investors (Shareholders)	• Results performance • Latest operational information	• Performance briefing • Meetings for latest operational information • Disclosure of the information
Media	• Corporate development • Corporate-related activities	• Press conference • Interview • Online exhibition hall
Government	• Safe and compliant operations • Contribution to the development of economy and society	• Accepting supervision • Disclosure of the information • Attending meetings
Industry association	• Promotion of sound development of the industry	• Attending activities and meetings hosted by association • Holding the post of the president of the association
Staff (including faculty)	• Comfortable and healthy working environment • Good development platform • Platforms and opportunities to communicate with management • Protect the rights and interests of staffs	• Staff discussions • Work meetings • Training and other activities • Annual meetings and carnival activities • Staff appraisals
Students and parents	• Teaching quality provided by the school • Safe and healthy educational environment for students	• Faculty and student symposium • Questionnaire survey • Holding parent conferences • Daily interaction • Public service seminar • Home visit

Display of communication activities with some stakeholders during the Reporting Period

In August 2020, 21st Century Education, as a typical representative of private education, was invited to make its debut at the film trade event held at the Beijing International Film Festival to showcase our strength in using "content + technology" to promote education in the online exhibition hall.

On 30 September 2020, Shijiazhuang Institute of Technology held a democratic discussion meeting for students in 2020. In the discussion meeting, student representatives summarized the ideas of students and put forward their needs in learning such as curriculum setting, multimedia in classroom and practice, as well as suggestions in living such as dining in the cafeteria, bathing service and campus facilities; relevant leaders and department heads of Shijiazhuang Institute of Technology took detailed notes, listened carefully, and answered the questions on the spot.

21st Century Education is proactive in making voluntary disclosures and was awarded "the Best Annual Disclosure Award" (年度最佳信息披露奬) in the "Gelonghui Best Listed Companies Awarding Ceremony" (格隆匯最佳上市公司) on 16 November 2020.

Materiality Issues Assessment

Identifying key stakeholders

Based on the analysis of "the influence by the enterprise" and "the influence on the enterprise", the key stakeholders were selected for filling in the questionnaire.

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Materiality issues screening

Based on the analysis of the ESG guidelines, industry issues and enterprise characteristics, a database of 21st Century Education ESG issues was established, and then the topics with high relevance to 21st Century Education were selected and used in the survey.

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Conducting materiality assessment & survey

A questionnaire was prepared to allow key stakeholders to make materiality judgments on screened materiality issues.

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Analyzing results of the survey

The materiality of the issue was evaluated according to the scores of each issue in the dimensions of "the influence on stakeholders" and "the influence on 21st Century Education".

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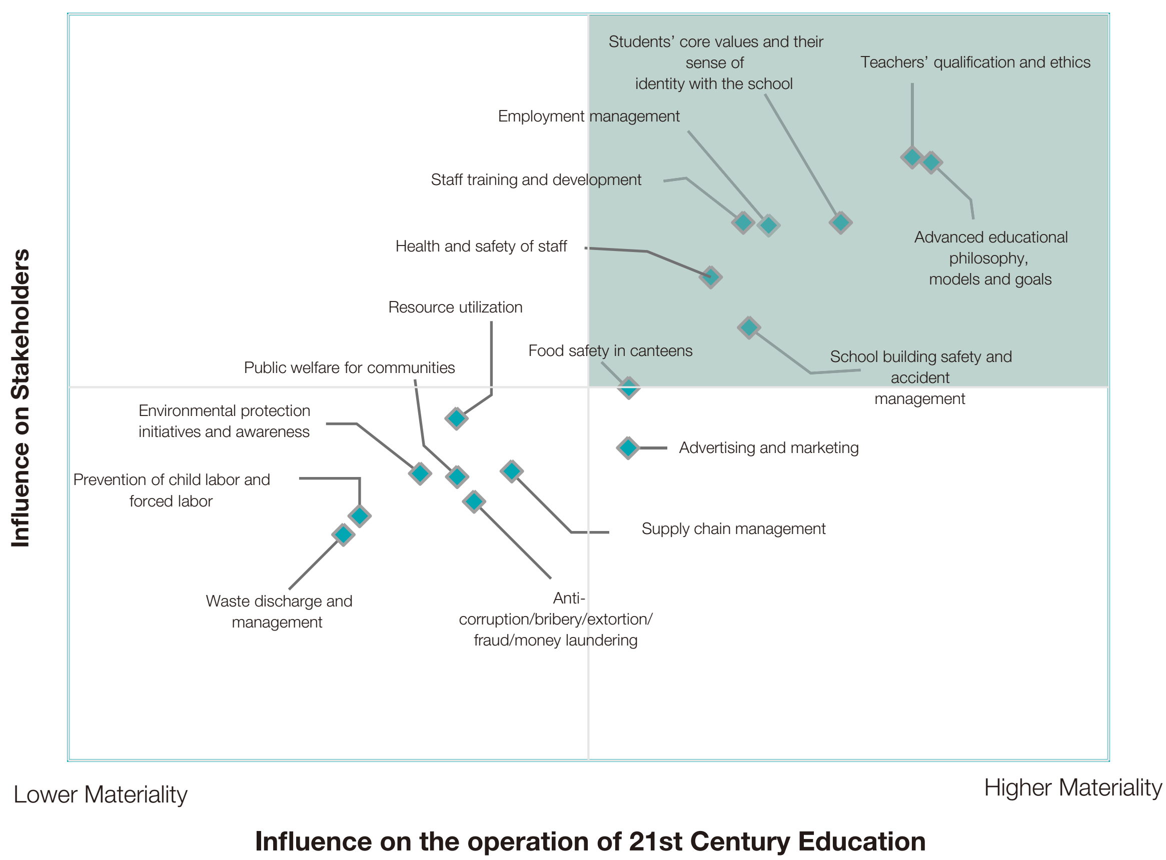
Verification and confirmation of results of the survey

Ultimately, senior management determined whether the issues were material for 21st Century Education based on the results of the analysis.

21st Century Education is committed to responding to the demands of our stakeholders. To further promote the Group's sustainable development efforts, we conducted a materiality assessment survey during the Reporting Period to identify ESG issues of concern to various stakeholders. A total of 1,021 valid questionnaires were collected in the survey.

Materiality Matrix Analysis of the 21st Century Education



We analyzed 16 potentially materiality issues and identified a total of seven material ESG issues, including "Advanced educational philosophy, models and goals", "Teachers' qualification and ethics", "Students' core values and their sense of identity with the school", "Employment management", "Staff training and development", "Health and safety of staff", and "School building safety and accident Management". In response to stakeholder concerns, we will detail in this Report our policies, initiatives and performance in relation to material ESG issues during the reporting period. At the same time, we will also review 21st Century Education's approach to sustainability governance in the future and adjust it to meet stakeholder expectations in light of material ESG issues.

TEACHING EXCELLENCE & MORAL & TALENTED EDUCATION

The development of comprehensive quality of students is a complex system project. 21st Century Education has a self-innovated education system and a standardized management system, which continues to driving the development of education through content and technology, and is committed to the localization of education and globalization of values.

Case: 2020 Asia Pacific Preschool Impact Top 50 (2020年亞太學前教育影響力50強)

In November 2020, Saintach Kindergartens were named one of the "2020 Asia Pacific Preschool Impact Top 50" at the 2020 Education Forum For Asia Annual Conference.

Case: Saintach Education wined 2019 Parent Satisfaction Quality Education Brand

On 8 January 2020, Saintach Tutorial Schools were awarded the "2019-2020 Parent Satisfaction Quality Education Brand" at the 2019-2020 Chinese Educators Conference co-hosted by Phoenix Education and the China Overseas Chinese Community Foundation. Phoenix Education and Overseas Chinese Charity Foundation of China.

Advanced Educational Philosophy

The quality of teaching is the most valuable asset of a modern educational institution. 21st Century Education strictly abides by requirements of various laws and regulations including the Education Law of the People's Republic of China, the Law of the People's Republic of China on the Promotion of Private Education and the Regulations of Hebei Province on Private Education in relation to teaching quality and standardization of the private education, and has established a series of educational strategies to standardize teaching and learning, such as the Control System and Evaluation System for Teaching Quality (the "Standardization System"), the Manual on the Standardization of Teaching Process (the "Standardization Process"), and the Measures for the Update and Maintenance of Corporate Standardization Management System (the "Standardization Update") to standardize the teaching management and ensure that the teaching process and all teaching sections meet the corresponding quality standards in accordance with the regulations.

- Teaching quality standard system
- Teaching quality monitoring and organization system
- Supervision for the operating system
- Teaching quality monitoring information system
- Teaching quality evaluation system

Standardization System

- Formulation of teaching standards
- Classroom management system
- Tests for teachers' professional skills
- Attendance and review system
- Writing standards for teaching plans

Standardization Process

- Establishing the review and analysis system
- Setting up discussion groups for the plans
- Implementing new standardization system
- Establishing inspection mechanism

Standardization Update

To ensure the quality of teaching and learning in all schools, schools at all levels have introduced advanced information technology tools to strengthen the supervision and monitoring of education quality, evaluation and guidance to ensure that education activities are legal and compliant, while introducing a number of systems, policies and activities to improve the quality of teaching services and professionalize teaching:

Shijiazhuang Institute of Technology

- Shijiazhuang Institute of Technology has set up a teaching supervisory committee to carry out comprehensive supervision work and formulated the "Management Measures for Teaching Supervision Work of Shijiazhuang Institute of Technology", which is responsible for supervising teaching & learning and management of the teaching process of the whole institute through inspection, listening to classes, seminars, special inspections and research.

On 18 September 2020, Shijiazhuang Institute of Technology held its annual teaching supervisory meeting.

- The implementation of the system of listening to lectures by leading cadres is not only a powerful manifestation of Shijiazhuang Institute of Technology's emphasis on teaching, but also an important part of the teaching quality assurance and monitoring system. Shijiazhuang Institute of Technology has formulated the "System of Listening to Lectures by Leading Cadres of Shijiazhuang Institute of Technology" to further build a good teaching style, continuously strengthen and improve teaching and improve teaching quality.

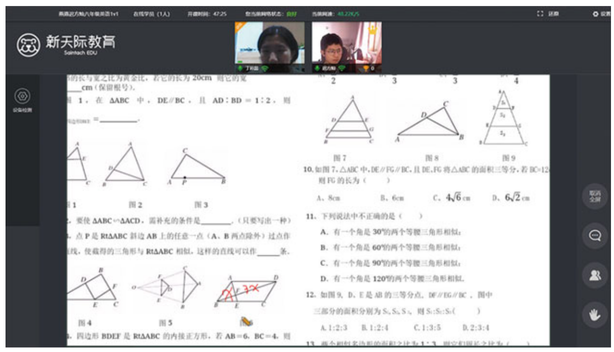
Saintach Kindergartens

- Saintach Kindergartens have established the "Demonstration Class Rating Standard of Saintach Kindergartens" to evaluate and monitor the quality of teachers' teaching from five perspectives: teacher quality, teaching design, teaching process, teaching effect and teaching creativity to ensure that teachers' teaching standards and quality meet the standards.

Mastering "Intelligence + Big Data" to improve the efficiency of teaching

21st Century Education has accelerated the expansion of its traditional offline education business into the digital field, and has established a content layout in two major segments of vocational education and quality-oriented education, in terms of science and technology empower. During the Reporting Period, we have developed five technology products, namely, Middle and high-end family education platform–"Parents Cloud-based Classroom (爸媽搜雲課堂)", Gaojiaoyun (高教雲) management platform under vocational education segment – "Sousou Smart School (嗖嗖智校)", Youjiaoyun (幼教雲) management platform under quality-oriented education segment – "Enlightening Homeland (知蒙家園)", Online live broadcast tool – "Live Classroom (直擊課堂)" and Intelligent education evaluation platform – "Grand Educational Evaluation (博教智評)".

Case: Increase investment in independent R&D in education technology



21st Century Education has independently developed education technology products such as Gaojiaoyun (高教雲), Youjiaoyun (幼教雲) and Enlightening Classroom (知蒙課堂) to promote the development of online education business. By relying on our profound foundation of teaching, research and teacher qualifications, our understanding of online education and advance deployment, we were able to rapidly transform and steadily develop our teaching during the "COVID-19" epidemic.

Implementing Moral Education

On top of teaching quality, 21st Century Education takes quality-oriented education seriously by providing a high level of learning support service based on student-centered philosophy. While developing majors by innovation and industry-education integration, we put moral education into the whole process of teaching, which requires improving students' comprehensive qualities in five aspects, namely moral character, vocational quality, humanistic quality, physical and mental quality, and innovative and entrepreneurial quality. Also, throughout each school year, we conduct innovation competition, performance, judge and commendation that encourage collective concept, sense of collaboration and team spirit among college students, aiming to shape a better learning atmosphere.

Case: Grand Opening Ceremony and Military Training Presentation of Shijiazhuang Institute of Technology of 2020 School Year

In November 2020, Shijiazhuang Institute of Technology held an opening ceremony and military training presentation of 2020 school year. Under instructors' command, the freshman performed formation, dance, martial arts, sign language exercises and military fist, etc., demonstrating what they had learned from military training in a high spirit. This enhanced their sense of belonging and identity.

Case: Programmers from Shijiazhuang Institute of Technology won Second Prize of “Lan Qiao Cup”

In November 2020, Cheng Jikun (student of 2018 school year) and Li Dongze (student of 2019 school year) from College of Internet Application of Shijiazhuang Institute of Technology won second prize in the 11th Lan Qiao Cup Finals.

Case: Shijiazhuang Institute of Technology achieved feats in "Huang Yanpei Cup" Innovation Competition of Vocational Education on Intangible Cultural Heritage

In November 2020, students from Shijiazhuang Institute of Technology won two second prizes and two outstanding prizes at national level in "Huang Yanpei Cup" Innovation Competition of Vocational Education on Intangible Cultural Heritage and Achievements Exhibition of Vocational Education on Intangible Cultural Heritage (National Competition).

Management System for Complaints

21st Century Education deems feedback from students and parents as the driving force in pursuit of development. Thus, we have put in place a clear complaint handling mechanism, comprising the Management System for Complaints from Parents/Students (《家長／學生投訴的管理制度》) and the Management Measures of Shijiazhuang Institute of Technology for Filing Complaints by In-school Students (《石家莊理工職業學院學生校內申訴管理辦法》), to deal with complaints in a practical and efficient manner. Parents and students may reach out to us face to face, by phone, letter or suggestion box. Upon receipt of a complaint, we usually conduct an investigation according to rules and regulations into the cause and process thereof before working out a resolution and meting out reward or punishment accordingly, a procedure that ensures a more objective and reasonable way to settle problems. We keep all complaints on file to avoid recurrence of similar events and to address potential deficiencies in our teaching system and operations.

During the Reporting Period, we had not received any complaints from parents or students.

CARE FOR STUDENTS & CAREFUL CARE

China 21st Century Education holds campus safety in high regard and is committed to improving the safety management system in a bid to build a safe and stable campus environment for students' growth.

Building a Safe Campus

To protect the lives of faculties and students and the safety of school property, 21st Century Education has instituted a safety management system pursuant to the Education Law of the People's Republic of China (《中華人民共和國教育法》), the Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》), the Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》), the Regulations on the Fire Safety Management of Colleges and Universities (《高等學校消防安全管理規定》), the Interim Regulations for Safety Education and Management of Students in Regular Institutions of Higher Education (《普通高等學校學生安全教育及管理暫行規定》), the Measures for Safety Management of Middle, Primary Schools and Kindergartens (《中小學幼兒園安全管理辦法》), and the School Safety Regulations of Hebei Province (《河北省學校安全條例》). Under the system, we assume safety responsibilities at all levels and posts, and maintain safety facilities and equipment. In addition, we help students and faculties keep good security habits through education, training and drills on epidemic prevention and firefighting to ensure their health and safety.

For school-related injury incidents, 21st Century Education has developed comprehensive internal safeguard measures, monitoring mechanisms and emergency response guidance in accordance with laws and regulations such as the Measures for the Handling of Student Injury Accidents (《學生傷害事故處理辦法》). These are conducive to the proper handling of student injury incidents and maintenance of normal education order. We also require schools to ensure the safety of the areas where they operate and to remove potential hazards as early as possible. To prevent safety incidents, our schools have formulated corresponding safety management measures according to their actual conditions and management needs:

Shijiazhuang Institute of Technology	Shijiazhuang Institute of Technology has been working to create a safe campus environment enabling various student activities. For all kinds of safety issues in teaching and dormitory areas, it has formulated the Regulations of Shijiazhuang Institute of Technology on the Education and Management of Student Safety (《石家莊理工職業學院學生安全教育及管理規定》), Safety Emergency Plan of Shijiazhuang Institute of Technology (《石家莊理工職業學院安全應急預案》) Regulations of Shijiazhuang Institute of Technology on Accommodation Management (《石家莊理工職業學院住宿管理規定》), the Safety System Compilation of Shijiazhuang Institute of Technology（《石家莊理工職業學院安保制度匯編》), the Safety Management Systems of Shijiazhuang Institute of Technology for Training Room (《石家莊理工職業學院實訓室安全管理制度》) and other policies, and updated the Student Emergency Response Plan of Shijiazhuang Institute of Technology (《石家莊理工職業學院學生突發事件應急處理預案》). The series of policies cover safety management, inspection and examination, accident handling and safety education, and set out strict safety management rules and guidelines for dormitory areas and their daily management. For possible student-related emergencies, these policies also provide contingency plans under the guideline of "focusing on preventive measures and always staying vigilant" and the principles of "unified leadership, hierarchical responsibility, timely response and decisive measures". In response to the needs of fire safety management, Shijiazhuang Institute of Technology has issued regulations such as Fire Safety Management System of Shijiazhuang Institute of Technology (《石家莊理工職業學院消防安全管理制度》) to systematically establish the fire response management structure, daily fire management requirements and the procedures of fire response such as emergency evacuation.
Saintach Tutorial Schools	Documents such as Safety Management Systems of Saintach Education (《新天際教育安全管理制度》) have been issued to prevent and reduce the occurrence of security incidents by Saintach Tutorial Schools. Such policy mainly regulates safety-related issues such as students' behavior during class break, electrical usage safety during teaching activities, responsibilities of teachers' care, classroom management and student status, as well as extracurricular activities, non-school personnel entry and exit, and other issues. If a safety incident occurs, the teacher in charge needs to deal with it in a timely manner, promptly take the student to a doctor or for special care, and notify the supervisor and the students' parents.

Saintach Kindergartens	The Safety Management Standardization Manual for Saintach Kindergartens (《新天際幼兒園安全管理標準化手冊》) and other policy documents were formulated to realize safety management, normal teaching order, smooth operation and protection of children's lives. These documents focus on the prevention and emergency response of common and sudden diseases and accidental injuries of children, safety requirements for large-scale activities, the prevention and settlement of the risks from fire and natural disasters, the risks of infectious diseases against children and prevention, the risks in the children's pick-up process and their prevention, the risks in the diet and sleep of children and their prevention, the risks during free activities and outdoor activities of children and their prevention, and the risks in the outdoor activities of children and their prevention. Subject to the cases, analysis and specific requirements are provided on the cause, prevention and treatment of each safety issue.

Demonstration of fire safety activities and epidemic prevention measures launched during the Reporting Period:

On 9 November 2020, nearly 2,000 students, teachers and back-up staff participated in the fire drills organized by the student department and secondary colleges of Shijiazhuang Institute of Technology. The drill, together with other publicity and education activities, helped spread knowledge about fire-fighting laws and regulations, the use of fire extinguishers, evacuation and escape skills. Shijiazhuang Institute of Technology also drew lessons from such drill afterwards.

On 8 June 2020, Shijiazhuang Institute of Technology was registering returning students in a strict manner.

On 5 September 2020, Shijiazhuang Institute of Technology was carrying out a thorough disinfection.

On 31 August 2020, a steering team from Education Department of Hebei Province came to Shijiazhuang Institute of Technology for inspection of preparatory work for fall semester.

On 23 December 2020, leaders from the Municipal Health Inspection Bureau visited Shijiazhuang Institute of Technology for guidance.

Food Hygiene and Safety

Considering that both Shijiazhuang Institute of Technology and Saintach Kindergartens provide dining service for students and kids during the teaching business course, food safety in the canteens remains one of the top priorities of 21st Century Education in ensuring their health and growth. For standard food safety regulation, we developed a series of management systems and work requirements under Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法》), the Regulations on the Sanitation Management of Student Canteens and Collective Student Meals (《學校食堂與學生集體用餐衛生管理規定》) and other laws and regulations. With these measures, we manage and monitor the school canteen and food suppliers and intensely focus on the issues of canteen food safety and the management of food suppliers to prevent any health and safety accident arising from food quality. We prohibit the purchase and sale of food that do not meet our safety standards and requirements.

During the Reporting Period, we strictly followed the laws and regulations above and actively coordinated with the China Food and Drug Administration (CFDA) in periodic inspection and random test, and no food safety risks were found and no food safety accidents occurred during such inspection and test.

Shijiazhuang Institute of Technology	To abide by the national food regulations, Shijiazhuang Institute of Technology issued the Standardized Operation Manual for the Canteen Merchants in Shijiazhuang Institute of Technology (《石家莊理工職業學院食堂商戶標準化操作手冊》), the Standardized Canteen Management Manual of Shijiazhuang Institute of Technology (《石家莊理工職業學院食堂管理標準化管理手冊》), the Emergency Plans for Food Poisoning of Shijiazhuang Institute of Technology (《石家莊理工職業學院食物中毒應急預案》), the Management System for Canteen Food Procurement and Processing (《食堂食材採購及加工管理制度》), the Management System for Canteen Cold Chain Food (《食堂冷鏈食品管理制度》) and other rules. It also established a food safety self-disciplined body of canteen with the head of the college as the first person responsible. The self-disciplined body is mainly responsible for improving relevant regulations and rules, creating emergency response mechanism and measures, as well as implementing and supervising every task of food safety in Shijiazhuang Institute of Technology, and informing food processing and producing staff of updated safety management rules in a timely manner.

To better regulate canteen suppliers, we set up rules for procurement of food ingredients and demand proof of qualifications from suppliers before entering into contracts with them. Food inspection and verification are carried out to ensure food quality and freshness. We also raise requirements about the operation staff and operation room and standardize the work of canteen managers, canteen cleaning staff and merchants.

Saintach Kindergartens

Saintach Kindergartens developed the Healthcare and Diet Standardization Manual of Saintach Kindergartens (《新天際幼兒園保健與膳食標準化手冊》) and Tender Notice of Saintach Kindergartens on Unified Procurement and Delivery of Food (《新天際幼兒園食材統一採購及配送項目招標公告》) as rules to manage food safety. Pursuant to such rules, we have laid down regulations in respects of making recipes, acquiring ingredients, storage, processing, food retention samples, kitchen hygiene management, managing the allocation, receipt and distribution of meals and dietary supervision. The management canteen is standardized and regulated to ensure that key tasks are accomplished.

Discussion and analysis about new standards for food quality will be conducted at the meetings convened by the catering committee twice a semester, and during the meeting, experience will be summarized and problems will be solved to raise the diet quality of kids.

During the epidemic, Shijiazhuang Institute of Technology endeavored to guarantee food safety by posting anti-epidemic instructions in the canteen for students having meals.

Maintaining Mental Health

Besides physical health, the mental health of students represents one of our priorities. According to the State Council's Opinions on Implementing Healthy China Action (《國務院關於實施健康中國行動的意見》), Healthy China Action – Child and Adolescent Mental Health Action Plan (2019-2022) (《健康中國行動–兒童青少年心理健康行動方案(2019-2022年)》) and other requirements, 21st Century Education actively encourages children and adolescents to maintain a healthy mental state. We support students in solving problems they encounter during their development by organizing various activities and providing metal health services.

Shijiazhuang Institute of Technology	Under the Administrative Measures of Shijiazhuang Institute of Technology for Mental Health of Students (《石家莊理工職業學院學生心理健康管理辦法》) and based on its realities, Shijiazhuang Institute of Technology has worked to improve mental health education to help students develop a healthy personality, thereby promoting quality-oriented education in an all-round way. We organize regular Mental health lectures on various topics, such as emotion management, stress management, interpersonal interaction, communication skills and resistance to drug. These activities, we hope, will enhance mental health management of students and help them to handle stress from learning and life, hence good mental and physical health as well as a harmonious campus.
Saintach Tutorial Schools	Saintach Tutorial Schools has formulated the Implementation Plan for the Education on Mental Health (《心理健康教育實施方案》) with the purpose of solving psychological problems, maintaining mental health and improving psychological quality of students at school. Saintach Tutorial Schools promoted the construction of students' mental health by starting from development-oriented mental health education and remedy-oriented mental health education. At the same time, the implementation plan further requires each school to take advantage of the classroom and actively conduct psychological health classes, and invites parents to attend relevant courses or seminars at the school to enhance the family's educational awareness, so that the school education can effectively integrate with family education and promote comprehensive mental health for students.
Saintach Kindergartens	Observation, record and analysis by the teachers are the main forms in managing children's mental health for Saintach Kindergartens, and a unified analysis will be conducted on the behaviors of the children in the two aspects of teaching and life. Teachers are required to fill out children development reports at the end of each semester to comprehensively evaluate each child in terms of their performance in five major areas: health, art, science, language and social behavior, and then offer the feedback of the corresponding results to respective parents. Meanwhile, teachers are also required to put forward educational suggestions to realize the co-education of "family" and "kindergarten".

EXCELLENT TALENT & SELF-IMPROVEMENT

21st Century Education pays high attention to talents. To establish a fair and harmonious relationship with our employees, we provide them with a caring, simple but positive working atmosphere, striving to become a career platform for their growth and development.

Gathering Quality Talent

21st Century Education closely observes the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Administrative Measures on Labor Contracts of Hebei Province (《河北省勞動合同管理辦法》) and other laws and regulations, and has accordingly formulated various internal policies which include the Remuneration Management Measures of 21st Century Education Group (《21世紀教育集團薪酬管理辦法》), the Administrative Measures of 21st Century Education Group for Staff Changes (《21世紀教育集團員工異動管理辦法》) and The Measures of 21st Century Education Group for Work Attendance and Absence Management (《21世紀教育集團考勤及假別管理辦法》). These measures have expressly guaranteed employees' basic interest in compensation, dismissal, recruitment, promotion, working hours, rest periods, equal opportunity, diversification, anti-discrimination, anti-forced labor and other welfares. In addition, pursuant to the Law of the People's Republic of China for the Protection of Minors (《中華人民共和國未成年人保護法》), the Provisions on the Prohibition of Child Labor (《禁止使用童工規定》), and Labor Contract Management Regulations of 21st Century Education Group (《21世紀教育集團勞動合同管理規定》), we pledge not to use child labor.

During the Reporting Period, we strictly complied with the above-mentioned laws and regulations relating to employee management and labor practices, and there were no violations in the relevant areas.

Some staff management polices and measures are set out below:

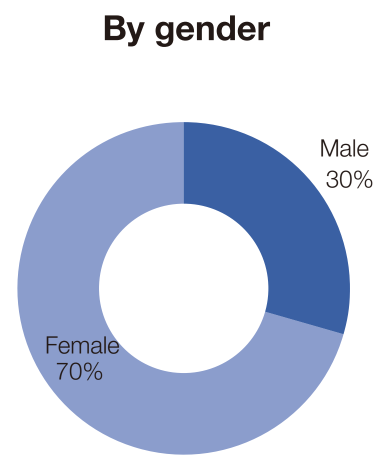
Remuneration	The evaluation of job value, the supply and demand of human resources in the market, and the performance of work constitute a reference basis for the formulation of salary standards, and the specific remuneration is made into position salary, seniority salary, class allowance, subsidy, bonus and business commission.
Recruitment	Internal recruitment: we recruit by internal personnel through competition, transfer and other ways to meet the needs of staff. Each unit will be through the OA[2] system to publish the employment needs, employees can send resume for candidates according to their ability. External recruitment: external recruitment will be through media release, online recruitment, headhunters and other ways. The human resources department of each unit is responsible for establishing screening criteria, and then the demand department is responsible for the review and approval.
Promotion	Job promotion: eligible employees fill out the corresponding report and the demand unit will evaluate it, to give the passer a job level promotion. Level promotion: employees who achieved an excellent grade in the annual appraisal will be given the priority to the promotion of the grade in the same position.

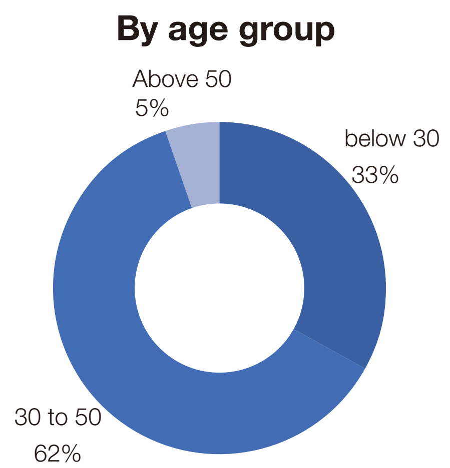
2 OA refers to Office Automation

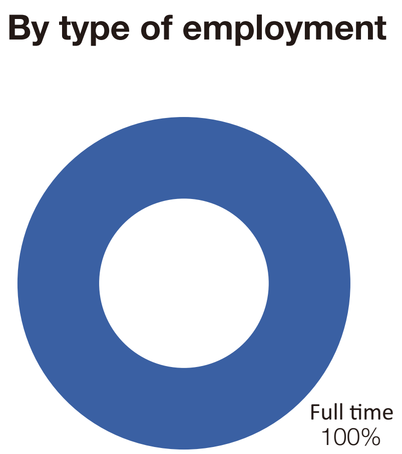
Leaving-office	Leaving-office can be divided into four categories, namely self-resignation, dismissal, retirement and other reasons. When an employee meets the defined conditions for leaving, the head of the human resources department shall be responsible for the relevant procedures and approval. If the separation compensation is involved, it shall be dealt with in accordance with the relevant laws and regulations and the results of the consultation between the employers and employees.
Working hours	The normal working hours are five days per week, and the employee works 8 hours a day.
Holiday	Employees are entitled to national statutory holidays, sick leave, marriage leave, bereavement leave, maternity leave, nursing leave and annual leave.
Equality and anti-discrimination	We treat all employees equally and prohibit all forms of discrimination within the Company. Among employee management policies, we never include gender, age, cultural background, religious beliefs and other conditions containing discriminatory factors, nevertheless, we take the performance and professional ability as the employee management basis.
Diversification	In addition to professionalism, we recruit people from a wide range of cultural backgrounds to support our employees in fostering personal interests, and bring a richer perspective to the multi-cultural construction of the 21st Century Education.
Welfares	On top of the basic benefits stipulated by the state law, we provide transportation, medical care, academic training and other subsidies for senior managers, provide periodic recreational activities organized by the old staff club for employees who have been employed for 3 years or more, and provide holiday funds, tourism, team building and other benefits for all employees.
Anti-child labor	In the recruitment process, we will carefully verify the identity of the candidates. Once we found that the candidate is a minor, we will not hire him/her.
Anti-forced labor	In addition to normal working hours based on work needs, we restrict employees' overtime behavior and never force employees to work outside of normal work. If an employee needs to work overtime, the OA system must be logged in to fill out the overtime application and obtain management approval before it can be executed.

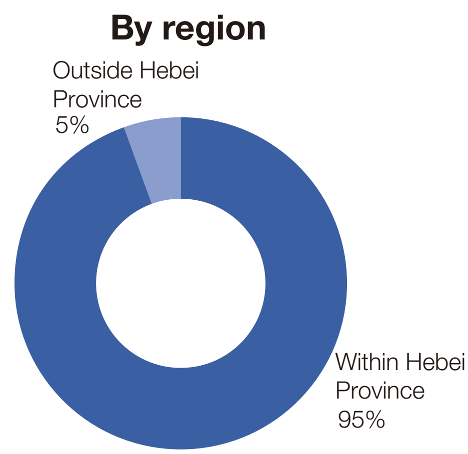
21st Century Education's success depends on a team comprising of excellent expertise and staff with good conduct. We understand the importance of broadening the education talent reserve and consistently manage and cultivate our staff and keep strengthening our talented team.

During the Reporting Period, 21st Century Education had 1,191 employees in total. The details of subdivision and its number are as follows:









Counting of staff		Number	Proportion
By gender[3]	Male	352	30%
	Female	839	70%
By age group	Below 30	394	33%
	30 to 50	736	62%
	Above 50	61	5%
By type of employment	Full time	1,191	100%
	Part time	0	0%
By region	Within Hebei Province	1,128	95%
	Outside Hebei Province	63	5%

[3] In light of the business nature and needs of the education sector, the number of our female employees outpaces that of male employees.

Optimize Employee Training

Optimizing employee training represents one of the keys to improving teaching, management and image of 21st Century Education. To this end, we have followed the Opinions on Regulating the Development of After-School Tutoring Institutions (《關於規範校外培訓機構發展的意見》) to provide diversified professional trainings for our employees. At the same time, to ensure high-quality campus management and provide the talent reserve needed for good quality teaching, we attach great attention to the education and cultivation of employees in our daily business management process, and require each business department according to its own business and the needs of employees to design and arrange a reasonable employee training system and plan.

Shijiazhuang Institute of Technology	Trainings of Shijiazhuang Institute of Technology in 2020 comprise four major categories, namely teacher system, learning management system, cadre system and all-employee training, of which all-employee training mainly concerns skills training, corporate culture learning, new employee training and anti-epidemic training. During the Reporting Period, we conducted 21 items of training consisting of 134 courses, with a total of 22,900 participants and 752 hours of training time.
Saintach Tutorial Schools	The 2020 training framework of Saintach Tutorial Schools is based on the principle of "5+1 Training System", in which "5" refers to independent training system, new staff echelon training system, core echelon training system, specialized training and external training; and "1" refers to the growth point system.
Saintach Kindergartens	Saintach Kindergartens have established a training mechanism of 100 cadres. It classifies all kinds of employees into four echelons: the general manager echelon, the principal echelon, the head of insurance and education echelon, and the head of general affairs echelon. Each echelon's employees are equipped with corresponding training plans and training focuses, and periodic training is carried out by means of centralized training, functional research, and agent placement.

During the Reporting Period, Shijiazhuang Institute of Technology, Saintach Tutorial Schools and Saintach Kindergartens conducted various training activities in accordance with their respective training systems and annual training plans. The specific information on staff attendance in training is as follows:

Staff training information	Staff by gender[4]		Staff by category[5]			% of staff trained
Shijiazhuang Institute of Technology	**Male**	**Female**	**High level**	**Middle level**	**Basic level**	
Number of trainees	152	284	6	45	385	71%
Proportion of trainees (%)	35%	65%	1%	10%	89%	
Average training time (hours)	89.22	94.11	63.00	72.51	95.18	
Saintach Tutorial Schools	**Male**	**Female**	**Management**	**Business and function position**	**Teacher**	
Number of trainees	73	229	20	144	138	93%
Proportion of trainees (%)	24%	76%	7%	48%	46%	
Average training time (hours)	14.10	14.10	18.99	14.31	13.78	
Saintach Kindergartens	**Male**	**Female**	**Management**	**Business and function position**	**Teacher**	
Number of trainees	4	200	0	109	95	80%
Proportion of trainees (%)	2%	98%	0%	53%	47%	
Average training time (hours)	6.00	8.30	0	7.22	8.57	

4 The percentage of employees trained is based on the calculation of Social KPI B3.1 in "How to Prepare an ESG Report – Appendix III: Reporting Guidance on Social KPIs" published by the Stock Exchange. Proportion of trainee (%) by gender for 2020 is updated to (number of male or female employees trained/total number of employees trained) x 100%; for 2019, the denominator of the calculation is the total number of employees in the specific category trained, e.g. percentage of male employees trained = (number of male employees trained/total number of male employees) x 100%.

5 The percentage of employees trained is based on the calculation of Social KPI B3.1 in "How to Prepare an ESG Report – Appendix III: Reporting Guidance on Social KPIs" published by the Stock Exchange. Proportion of trainee (%) by category for 2020 is updated to (number of employees in the specific category trained/total number of employees trained) x 100%; for 2019, the denominator of the calculation is the total number of employees in that specific category trained, e.g. percentage of high level employees trained = (number of high level employees trained/total number of high level employees) x 100%.

Case: Shijiazhuang Institute of Technology organized "Working knowledge learning" activities

In response to the "Notice of 21st Century Education Group on Working Knowledge Learning" (《關於21世紀教育集團各單元應知應會學習的通知》), Shijiazhuang Institute of Technology launched a series of activities to improve young faculties' understanding of the education industry and the school, as well as their familiarity with and devotion to the Company. Focusing on "Knowing, Loving and Honouring our School", these activities aimed to enable faculties to gain a deeper knowledge of combination, history, construction and culture of the school.

On 25 November 2020, Shijiazhuang Institute of Technology held a competition on working knowledge.

On 1 November 2020, faculties visited the archives center.

On 17 November 2020, faculties visited the training room.

Case: "New Dynamic Training" of Saintach Tutorial Schools

During the Reporting Period, Saintach Tutorial Schools organized five sessions of "New Dynamic Training" for new employees. The training covered corporate culture and company profile, recruitment and service process of educational administration system, job advantages and student mental health.

Case: Mantianxing Training (滿天星培訓) of Saintach Kindergartens

On 10 September 2020, Saintach Kindergartens organized the first session of Mantianxing Training to meet the Company's expansion needs, helping new comers to quickly fit in and settle down. On 7 November 2020, such trainees were retrained to improve their work and professional skills.

Protecting Employee Health

21st Century Education commits itself to employees' health and security. During the Reporting Period, we strictly complied with the laws and regulations of the Law of the PRC on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》) and Plan of the Hebei Province on the Prevention and Treatment of Occupational Diseases (《河北省職業病防治規劃》), to prevent, control and eliminate occupational diseases, and protect the health and relevant interests employees. Meanwhile, we have formulated the Safety Management Systems[6] (《安全管理制度匯編》), which includes policies such as the Safety Inspection Plan and Protective Measures (《安全檢查計劃及防範措施》), the Safety Emergency Plan (《安全應急預案》), and the targeted management measures such as Shijiazhuang Institute of Technology's Precautionary Measures and Emergency Plans for Outdoor Sports Activities in Response to Smoggy Weather (《石家莊理工職業學院關於應對霧霾天氣戶外體育活動防範措施及應急預案》) to protect employees' occupational safety, and actively organize employees to participate in health and safety training activities, learn knowledge about health, and improve their occupational health and safety consciousness.

During the Reporting Period, 21st Century Education strictly complied with the above laws and regulations associated with employees' health and safe. There was no violation in the relevant areas, nor any work-related deaths or injuries and no lost days due to work injury was recorded.

Teacher Moral and Ethical Construction

21st Century Education lays great stress on professional ethics of teachers and requires them to be "professional and moral" (「學高為師、身正為範」). For this purpose, our schools have formulated relevant internal policies, such as the Development Programme of Shijiazhuang Institute of Technology on Teacher's Moral and Ethical Building (《石家莊理工職業學院師德師風建設方案》), according to their work and business needs during the Reporting Period, under which, education activities about teacher's virtue and ethics were carried out to enhance professional ethics and sense of mission, underlining the concept of teaching, managing and serving students.

Shijiazhuang Institute of Technology has required its teachers to have strong political beliefs, deep feelings, new thinking, broad vision, strict self-discipline, and positive personality, expecting them to set good examples and optimize their overall image and teaching style.

COMPLIANCE & STEADY DEVELOPMENT

Supply Management

To realize mutual benefit and win-win cooperation, 21st Century Education has established a sound supplier management mechanism to effectively control and reduce the operational risks arising from supply chains. In order to regulate the procurement practices of the Group and its schools, we have formulated the Procurement Management Measures of 21st Century Education Group (《21世紀教育集團採購管理辦法》), the Measures System for Evaluation and Management on Suppliers of Shijiazhuang Institute of Technology (《石家莊理工職業學院供應商評估管理辦法制度》), "Measures for Procurement Management of the Culture and Education Business (《文化教育事業部採購管理辦法》) and other management requirements, which explicitly defined the organization and responsibilities of procurement, procurement methods, procurement procedures, supplier classification and blacklist management. The rules and regulations governing the organization and responsibilities of procurement, the definition of procurement methods, procurement procedures, supplier classification and blacklist management are clearly defined. We follow the principles of "management by classification, standard setting, openness and transparency, supervision and control" to evaluate suppliers by way of classification and ratings. Unscrupulous suppliers provided false materials will be blacklisted. This is to improve the efficiency of the Company's operations and reduce losses due to suppliers.

During the Reporting Period, we maintained good cooperative relationships with 53 suppliers in total, of which 52 suppliers were from Hebei and 1 supplier was from outside Hebei Province.

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6 Specific practices on campus safety protection can refer to the section headed "Building a Safe Campus"

Integrity and Honesty

We strictly abide by the Anti-Corruption and Bribery Law of the People's Republic of China (《中華人民共和國反貪污賄賂法》) and the Anti-Money Laundering Law of the People’s Republic of China (《中華人民共和國反洗錢法》), and uphold a "zero tolerance" attitude towards corruption and bribery. We have established internal policies such as the Anti-fraud, Anti-corruption and Anti-money Laundering Management System of 21st Century Education Group (《21世紀教育集團反舞弊、貪污及洗錢管理制度》), the 21st Century Education Group Internal Audit Management System (《21世紀教育集團內部審計管理制度》), under which, the Audit Committee conducts continuous supervision to regulate the behavior of the Company and its employees and to prevent any fraud or irregularities that may be detrimental to the proper economic interests of the Company or that may result in improper benefits. During the Reporting Period, we have also formulated policies on integrity cooperation by entering into an Integrity Cooperation Agreement with our suppliers, which is applicable to the Group and its schools to prevent commercial corruption and safeguard the interests of the Company.

During the Reporting Period, 21st Century Education and its employees did not receive any case in relation to corruption.

Intellectual Property Rights

21st Century Education implements all-round control and management of intellectual property rights and strictly complies with the Trademark Law of the People’s Republic of China (《中華人民共和國商標法》), the Patent Law of the People’s Republic of China (《中華人民共和國專利法》), the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) and other relevant laws and regulations during its production and operation. We further implemented management systems related to intellectual property rights within the Company, such as the Trademark Management Measures of 21st Century Education Group (《21世紀教育集團商標管理辦法》) and the Control Procedures of Saintach Education for the Risk Management of Intellectual Property Rights (《新天際教育知識產權風險管理控制程序》), to clarify the requirements for the creation, registration, protection and use of intellectual property rights. Our 21st Century Education Group Employee Handbook (《21世紀教育集團員工手冊》) also regulates the behavior employees to prevent external dissemination of written and electronic teaching materials and training materials owned by 21st Century Education.

At the same time, 21st Century Education is committed to protecting students' intellectual property rights and assisting them in applying for patent protection. During the Reporting Period, Shijiazhuang Institute of Technology applied for seven utility model patents, including two from College of Human Settlements Environment and five from Institute of Intelligent Manufacturing.

During the Reporting Period, we did not receive any case related to violation or infringement of intellectual property rights.

Accountable Marketing

21st Century Education strictly manages advertising and promotional activities and adopts sensible and effective marketing strategies to attract students and parents. We produce truthful and accurate advertisements and branding in accordance with the requirements of relevant laws and regulations such as the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Law of the People's Republic of China on the Promotion of Private Education (《中華人民共和國民辦教育促進法》) and the Anti-unfair Competition Law of the People's Republic of China (《中華人民共和國反不當競爭法》), to see that there are no misleading statements and no false information in our advertisement. We implement the procedures for filing student recruitment brochures and advertisements with the authorities for examination and approval, putting an end to any illegal publicity.

During the Reporting Period, all our external marketing and promotion strictly complied with the above laws and regulations related to advertising and promotion, and did not violate any laws and regulations related to advertising and promotion.

Information Security

In view of the expansion of our business and the continuous growth in the total volume of student file data, we have formulated policies such as the Management Measures for Information System of 21st Century Education Group (《21世紀教育集團信息系統管理辦法》), the Report of Shijiazhuang Institute of Technology on Measures in relation to Protection of Students' Privacy and Security (《關於石家莊理工職業學院為保護學生隱私安全所採取的措施報告》) and the Management Measures for Information System of Saintach Kindergartens (《新天際幼兒教育信息系統管理辦法》) to protect students' private information. In particular, the Report of Shijiazhuang Institute of Technology on Measures in relation to Protection of Students' Privacy and Security sets out specific measures to protect private data, including but not limited to:

- All student information is derived from CHESICC, which is protected by a U shield, and no information is released to the public.
- The recruitment procedures and documentations for needy students are handled by designated teachers to prevent information disclosure.
- Students' health status is protected from being subjected to external public opinion.
- Important personal information, such as identity card, on the public list of scholarship recipients is hidden.
- Provide privacy for students in relation to their health, name and portrait.

During the Reporting Period, we did not receive any complaints about invasion of personal privacy or loss of any personal data.

GREEN CAMPUS & ENVIRONMENTAL PROTECTION

21st Century Education understands that the environment is the cornerstone on which human beings depend and the key to the quality of our lives. This has made us a strong champion of environmental awareness and green campus.

Integrated Prevention and Control of Pollution

In the daily operation of 21st Century Education, the environmental impacts involved mainly focus on the resources used for the purpose of teaching and student management and the related emissions generated. During the Reporting Period, We complied with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》) and other laws and regulations, and strictly enforced the requirements on air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. We also followed internal policies such the Regulations on the Management of Resource Utilization (《資源使用管理規定》) to regulate the operation behaviors related to environmental protection of Shijiazhuang Institute of Technology.

During the Reporting Period, 21st Century Education did not have any material environmental pollution or violations of environmental laws, nor did it receive any significant non-compliance or complaints relating to environmental protection.

The resources used in our daily operation mainly include water, electricity and other materials related to teaching and living[7]. Our emissions mainly include wastewater, air pollutants and carbon dioxide, among which, the wastewater mainly came from the domestic sewage generated from teaching activities, canteens and student dormitories; the air pollutants mainly came from the natural gas consumed for supplying heat to the school areas and the liquefied petroleum gas used by canteens; greenhouse gas emissions were generated by fossil energy consumption (Scope 1) and purchased electricity (Scope 2) in the above processes. The electricity used comes from the municipal grid, and the water used comes from the municipal pipelines, without difficulty in acquisition. Other living and teaching materials were provided by external suppliers. During the Reporting Period, the information on our pollutant emissions and resource utilization are as follows:

Discharge of Pollution and Use of Resources					
Statistical item		2020	2019	2018	Unit
Air pollutant emissions	NOx emissions[8]	3,613.1	4,445.9	4,152.9	kg
	SOx emissions	1,928.3	1,961.6	1,949.9	kg
	PM emissions	741.9	825.2	795.9	g

7 Unless otherwise stated, all the data and environmental related measures disclosed in this section shall be based on the statistical caliber of Shijiazhuang Institute of Technology.

8 The air pollutant emission factors of the liquefied petroleum gas and natural gas were determined with reference to the Manual on the Pollution Generation and Emission Factors of Urban Domestic Sources under the First National Pollution Source Survey (《第一次全國污染源普查城鎮生活源產排污系數手冊》) issued by the Office of the Leading Group for the First National Pollution Source Survey under the State Council.

Discharge of Pollution and Use of Resources					
Statistical item		2020	2019	2018	Unit
Greenhouse gas emissions	Scope 1 emissions[9]	959.2	1,136.6	1,075.9	ton (carbon dioxide)
	Scope 1 emission intensity[10]	0.1	0.1	0.1	ton (carbon dioxide)/person
	Scope 2 emissions[11]	2,701.8	4,203.2	3,879.1	ton (carbon dioxide)
	Scope 2 emissions intensity	0.2	0.4	0.3	ton (carbon dioxide)/person
	Tree planting reducing emissions[12]	–48.8	–48.7	–46.1	ton (carbon dioxide)
	Comprehensive emissions	3,612.2	5,291.1	4,908.9	ton (carbon dioxide)
	Comprehensive emissions intensity	0.2	0.5	0.3	ton (carbon dioxide)/person
Use of energy[13]	Petroleum gas consumption	1,182.5	1,182.5	1,182.5	thousand kWh
	Petroleum gas consumption intensity	0.1	0.1	0.1	thousand kWh/person
	Natural gas consumption	3,468.3	4,368.8	4,052.0	thousand kWh
	Natural gas consumption intensity	0.2	0.4	0.3	thousand kWh/person
	Purchased electricity consumption[14]	4,428.5	6,889.4	6,358.2	thousand kWh
	Purchased electricity consumption intensity	0.3	0.6	0.4	thousand kWh/person
	Total energy consumption	9,079.2	12,440.7	11,592.7	thousand kWh
	Total energy consumption intensity	0.5	1.1	0.8	thousand kWh/person
Consumption of water	Consumption[15]	252,944.0	444,480.0	411,050.0	ton
	Consumption intensity	14.9	39.6	27.2	ton/person

9 The greenhouse gas emission factors of the liquefied petroleum gas and natural gas were determined with reference to the Accounting Methods and Reporting Guide for the Greenhouse Gas Emissions of Public Building Operators (Trial) (《公共建築運營企業溫室氣體排放核算方法和報告指南（試行）》) issued by the National Development and Reform Commission.

10 The denominator used herein and subsequence in the calculation of the intensity is 16,991, i.e. the sum of the number of students of staffs in Shijiazhuang Institute of Technology.

11 The greenhouse gas emission factors of purchased electricity used the national grid average emission factors in 2015 mentioned in the carbon emission supplementary data accounting report template in 2018 of the Notice of Proper Reporting of Carbon Emissions for 2018 and Development of a Plan for Verification and Monitoring of Emissions (《關於做好2018年度碳排放報告與核查及排放監測計劃制定工作的通知》) issued by Ministry of Ecology and Environment of the People's Republic of China, and have been updated for the Scope 2 Greenhouse gas emissions in 2019 and 2018.

12 The emission reduction coefficient of the trees is determined with reference to those set out in the Reporting Guidelines for Environmental Key Performance Indicators (《環境關鍵績效指標匯報指引》) in Appendix II to How to Prepare Environmental, Social and Governance Report (《如何準備環境、社會及管治報告》). The total number of trees in 2020 was 2,122, and that in 2019 was 2116 and in 2018 was 2,003.

13 The energy use of petroleum gas and natural gas refers to the calculation of low calorific value provided in the Accounting Methods and Reporting Guide for the Greenhouse Gas Emissions of Public Building Operators (Trial) (《公共建築運營企業溫室氣體排放核算方法和報告指南（試行）》) issued by the National Development and Reform Commission.

14 The significant decrease in purchased electricity consumption in 2020 compared to 2019 and 2018 was mainly due to the replacement of energy-efficient lighting fixtures in Shijiazhuang Institute of Technology during the reporting period and the fact that students were unable to return to school during the epidemic prevention period, resulting in a corresponding decrease in electricity consumption for teaching and living.

15 The significant decrease in water consumption in 2020 as compared to 2019 and 2018 was mainly due to the efforts of Shijiazhuang Institute of Technology to upgrade and renovate water saving equipment and implement water saving measures during the Reporting Period, as well as the fact that students were unable to return to school during the epidemic prevention period, resulting in a corresponding decrease in domestic water consumption.

During the Reporting Period, 21st Century Education asked its institute to actively promote good habits of resource recycling and waste separation, to increase the resource use value of waste and to reduce environmental pollution. Hazardous wastes generated by Shijiazhuang Institute of Technology are mainly discarded masks and medical waste, which are specially disposed of by a third party and the School Hospital; non-hazardous wastes are domestic wastes, mainly including food waste, waste paper, plastic bottles, leaves and other non-recyclable waste, which are collected and transported to the waste separation center for recycling or disposal by qualified suppliers[16].



There are waste mask collection bins, garbage collection bins and garbage sorting centers on the campus of Shijiazhuang Institute of Technology.

Case: Campus Beautification – Shijiazhuang Institute of Technology in Action




On 18 September 2020, the Youth Volunteer Association of Shijiazhuang Institute of Technology organized a campus beautification campaign with 489 students and teachers picking up trash and cleaning desks in the campus avenue, academic buildings and dormitories.

16 Since all waste of Shijiazhuang Institute of Technology was collected exclusively by a third party organization, no statistics are available on the total amount of hazardous and non-hazardous waste generated.

Promoting Frugality and Saving

We have strengthened energy conservation and emission reduction measures, actively fostered a green campus culture, and cultivated collective environmental awareness. During the Reporting Period, Shijiazhuang Institute of Technology has made a series of energy, water and food conservation plans and measures, mainly including:

Energy Saving

- Each dormitory is controlled by a separate intelligent electronic control module, and each dormitory is individually metered to record the energy consumption of student apartments.

- The 390 lights in the stairwells of the student apartments were replaced with radar-sensitive lights, saving approximately 5,600 kWh of electricity annually.

- On-campus streetlights are controlled on a time-of-day basis. As of the end of the Reporting Period, Shijiazhuang Institute of Technology has installed 25 solar-powered streetlights and the rest are LED lights.

- The classrooms in the teaching area have been replaced with LED lighting, saving approximately 80,000 kWh of electricity per year.

- We have formulated the "Building Patrol Management Regulations (《巡樓管理辦法》)", through which the building manager regularly patrols the building and finds out and addresses the waste of water and electricity in a timely manner.

Water Saving

- All water pump equipment in the campus of Shijiazhuang Institute of Technology was replaced with variable frequency control.

- The renovation of urinals in student apartments to flush-free urinals has resulted in the cumulative renovation of 56 toilets and 288 sanitary devices, saving 1,500 tons of water per year.

- The watering of the green area was changed from hydrant flooding to sprinkler irrigation, saving 1,500 tons of water per year.

- We make full use of irrigation water for watering the green areas, saving 5,400 tons of water per year.

- We have formulated the "Building Patrol Management Regulations (《巡樓管理辦法》)", through which the building manager regularly patrols the building and finds out and addresses the waste of water and electricity in a timely manner.

Food Saving

Food saving is a virtue and a respect for labor. In order to build a civilized, harmonious and environmentally friendly school environment, Shijiazhuang Institute of Technology has launched the “Clear Your Plate” initiative to save food, which is as follows:

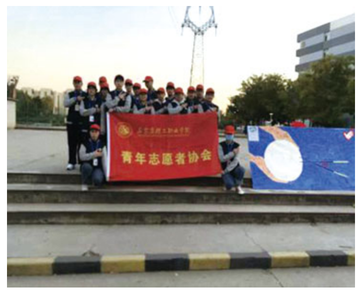
- We cherish food, eat in moderation, avoid leftovers and reduce waste.

- We are proud of our “clear plates” and ashamed of our “leftover meals”; we are proud of packing our leftover meals and ashamed of throwing them away at will.

- We take only what we need when we order to reduce extravagance and waste.

- We act as savings promoters and inform our relatives and friends of the consequences of food waste.

Case: Clean Plate Initiative of Shijiazhuang Institute of Technology



On 16 October 2020, the Youth Volunteer Association of Shijiazhuang Institute of Technology launched the “Clear Your Plate” and organized a total of 370 staff members to participate in the environmental education activities. In addition to posting slogans around the cafeteria, volunteers from the association also talked to students during meal times about the civility of eating and discouraged wastefulness.

CONNECTING TO THE COMMUNITY AND HELPING EACH OTHER IN THE SAME BOAT

Contribution to the Society

21st Century Education is committed to contributing to the community, with a focus on social issues related to education, environmental protection, health, culture and sports. We take advantage of our own strengths to promote the sustainable development of the society.

Case: Recycle of old clothes by Shijiazhuang Institute of Technology

On 22 November 2020, the Youth Volunteer Association of Shijiazhuang Institute of Technology launched cloth recycling for impoverished people, in hope of supporting environmental protection while delivering love and warmth to those in need. During the event, volunteers set up stalls where old clothes were collected and registered before being sent to people in poor areas.

Case: Caring Project for Girls in Distress × "99 Giving Day"

During the Reporting Period, 21st Century Education participated in the Caring Project for Girls in Distress of LIONFUL FOUNDATION and joined hands with Tencent to launch the "99 Giving Day" in September 2020. Through these activities, we aim to raise funds for girls having little access to better education, to give full play to education in promoting balanced social development and personal growth.

Case: Blood donation by Shijiazhuang Institute of Technology

On 1 November 2020, Shijiazhuang Institute of Technology organized a two-day blood donation to appeal to students to "care for life and health".

Case: Volunteer teaching in Xibaipo Hope School

On 11 November 2020, through Bamasoso (爸媽搜), the New Youth Club for Experience and Growth (新青年體驗成長俱樂部) of Shijiazhuang Institute of Technology initiated a public welfare activity in Xibaipo Hope School, where four student volunteers led by teachers took part in volunteer teaching.

Moving Forward without Fear of the Epidemic

Following the core philosophy of "assisting you in your whole life" and carrying forward the fine tradition of "when disaster struck, help came from all sides", 21st Century Education and LIONFUL FOUNDATION in Hebei Province launched the project of "Everyone Combat Against Epidemic" through the Tencent Charity Platform. Within 5 hours after launching, a total of RMB500,199 was successfully raised. The funds were used to purchase personal protective equipment, disinfection products and living materials in various areas in Hubei Province to fight against the epidemic.

In the face of the rampant 2020 "COVID-19" epidemic, 21st Century Education, at the request of relevant government departments, immediately established the "Epidemic Prevention Leadership Group of 21st Century Education Group". Shijiazhuang Institute of Technology had 14 Communist Party members applying to join the frontline against the epidemic, over 20 graduates of healthcare profession participating in anti-epidemic response in their hometown and more than 200 volunteers joining local anti-epidemic teams.

Case: 21st Century Education awarded the "Special Contribution Award in the Fight Against the Epidemic" (「抗擊疫情特別貢獻獎」)

21st Century Education together with LIONFUL FOUNDATION donated 7,440 packages of medical supplies worth nearly RMB1.3 million and thereby received the "Special Contribution Award in the Fight Against the Epidemic".

In order to prevent the virus from spreading in campus, we have formulated a series of measures to try to cut off the transmission of the virus and put forward epidemic prevention requirements for schools and students. For the sake of employees and students' safety, we carried out anti-epidemic drills to prevent cluster infection and actively cooperated with government supervision and inspection.

Education continues even under the Epidemic

21st Century Education complied with the relevant provisions of the “General Office of the State Council Notice of Extending the 2020 Spring Festival Holiday” (《國務院辦公廳關於延長2020年春節假期的通知》) and postponed the commencement dates of Shijiazhuang Institute of Technology and Saintach Kindergartens. We also changed all offline teaching of Saintach Tutorial Schools to online teaching. We were quick to respond to the government's call for “class suspension with continuing education” (停課不停學), and have fully transformed "teaching" and "learning" from offline to online, providing free online courses and learning platforms for students during the epidemic.

- We improved the online platform operation standards of K12 schools, and set up more online-merge-offline (OMO) model, achieving offline to online transformation in a more systematic and comprehensive manner.
- In April 2021, in line with the overall requirements of the “COVID-19” epidemic prevention and control, Shijiazhuang Institute of Technology held live seminars broadcast on fighting against epidemic and preventing spring infectious disease through Ding Talk and WeChat to ensure all students and faculties gain a good knowledge about the epidemic.
- Enlightening Classroom, a live teaching platform developed by 21st Century Education, was fully applied to Saintach Education and Peijian Education, a boost to our OMO model. It provided quality online teaching and learning services under severe epidemic conditions.
- We provided 100,000 free online courses to all primary school students by the Internet education brand “parents search” and allowed students to study at home through mobile phones and computers.
- In addition to providing free online courses for students, we also provided 100,000 free online courses for kindergarten teachers from all over China on “Xingxinghe Kindergarten Teacher University”, a comprehensive platform for improving the teaching skills of kindergarten teachers to help them grow and escort the development of each Saintach Kindergartens after the epidemic.

Free online thematic studies courses during the epidemic

APPENDIX: CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Major Categories, Aspects, General Disclosures and KPIs (indicators)		Disclosure sections or explanations
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Integrated Prevention and Control of Pollution
Indicator A1.1	The types of emissions and respective emissions data.	Integrated Prevention and Control of Pollution
Indicator A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Integrated Prevention and Control of Pollution
Indicator A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Integrated Prevention and Control of Pollution
Indicator A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Integrated Prevention and Control of Pollution
Indicator A1.5	Description of measures to mitigate emissions and results achieved.	Promoting Frugality and Saving
Indicator A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Integrated Prevention and Control of Pollution

Major Categories, Aspects, General Disclosures and KPIs (indicators)		Disclosure sections or explanations
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Promoting Frugality and Saving
Indicator A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility).	Integrated Prevention and Control of Pollution
Indicator A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Integrated Prevention and Control of Pollution
Indicator A2.3	Description of energy use efficiency initiatives and results achieved.	Promoting Frugality and Saving
Indicator A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Promoting Frugality and Saving
Indicator A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable to the industry where 21st Century Education operates.
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	GREEN CAMPUS & ENVIRONMENTAL PROTECTION
Indicator A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	GREEN CAMPUS & ENVIRONMENTAL PROTECTION

Major Categories, Aspects, General Disclosures and KPIs (indicators)		Disclosure sections or explanations
B.Social		
Aspect 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, antidiscrimination, and other benefits and welfare.	Gathering Quality Talent
Indicator B1.1	Total workforce by gender, employment type, age group and geographical region.	Gathering Quality Talent
Indicator B1.2	Employee turnover rate by gender, age group and geographical region.	To be disclosed in the future.
Aspect 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.	Protecting Employee Health
Indicator B2.1	Number and rate of work-related fatalities.	Protecting Employee Health
Indicator B2.2	Lost days due to work injury.	Protecting Employee Health
Indicator B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Protecting Employee Health

Major Categories, Aspects, General Disclosures and KPIs (indicators)		Disclosure sections or explanations
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Optimize Employee Training
Indicator B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Optimize Employee Training
Indicator B3.2	The average training hours completed per employee by gender and employee category.	Optimize Employee Training
Aspect 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 and forced labour.	Gathering Quality Talent
Indicator B4.1	Description of measures to review employment practices to avoid child and forced labour.	Gathering Quality Talent
Indicator B4.2	Description of steps taken to eliminate such practices when discovered.	Since 21st Century Education has eradicated the possibility of child and forced labour in recruitment and daily work, there was no chance of irregularity.
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Management
Indicator B5.1	Number of suppliers by geographical region.	Supply Management
Indicator B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Management

Major Categories, Aspects, General Disclosures and KPIs (indicators)		Disclosure sections or explanations
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	CARE FOR STUDENTS & CAREFUL CARE Accountable Marketing Information Security
Indicator B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The businesses of 21st Century Education do not involve any sales or shipping of products.
Indicator B6.2	Number of products and service related complaints received and how they are dealt with.	Management System for Complaints
Indicator B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Rights
Indicator B6.4	Description of quality assurance process and recall procedures.	Advanced Educational Philosophy
Indicator B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Information Security
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Integrity and Honesty
Indicator 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.	Integrity and Honesty
Indicator B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Integrity and Honesty

Major Categories, Aspects, General Disclosures and KPIs (indicators)		Disclosure sections or explanations
Aspect 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.	CONNECTING TO THE COMMUNITY AND HELPING EACH OTHER IN THE SAME BOAT
Indicator B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	CONNECTING TO THE COMMUNITY AND HELPING EACH OTHER IN THE SAME BOAT
Indicator B8.2	Resources contributed (e.g. money or time) to the focus area.	CONNECTING TO THE COMMUNITY AND HELPING EACH OTHER IN THE SAME BOAT

IX. Independent Auditor's Report

Ernst & Young
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To the shareholders of China 21st Century Education Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China 21st Century Education Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 131 to 231, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 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 Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (CONTINUED)

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
The occurrence and completeness of the Group's revenue are of high inherent risk because of the large volume of tuition and boarding fees processed. In addition, tuition and boarding fees paid in advance at or prior to the beginning of each academic year are recognised as revenue proportionately over the financial years covering that academic year or the respective program. Therefore, revenue may be recorded in an incorrect period of the financial year. The accounting policy for revenue recognition and disclosure of the amount of revenue are included in notes 2.4 and 5 to the financial statements.	As to our audit procedures, we: • tested the controls on the collection of tuition and boarding fees and the controls designed and applied by the Group to calculate the contract liabilities and the corresponding amount of revenue; • on a sampling basis, interviewed students, reviewed and checked the relevant supporting documents including the student payment records, official student records registered with the relevant education authorities of the People's Republic of China (the "PRC"), and the payment remittance receipts of tuition and boarding fees; • recalculated the amount of contract liabilities and revenue recognised during the year; and • checked the number of newly enrolled students during the year to the enrolment approval by the relevant PRC education authorities, and reconciled the total number of students at the financial year end to the records on the China Credentials Verification website.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Income tax According to the Regulations for the Implementation of the Law on the Promotion of Non-public Schools of the People's Republic of China (the "Implementation Regulations"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatments. The Implementation Regulations provide that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. Up to 31 December 2020, no separate policies, regulations or rules have been introduced by the authorities in this regard. No corporate income tax was provided on the income from the provision of formal educational services by certain schools of the Group in the PRC (the "Certain PRC Schools"). Significant judgement is required in determining the provision for income taxes as there are uncertainties in interpreting the relevant tax laws and regulations with regard to the preferential tax treatments enjoyed by the Certain PRC Schools. The Group has assessed its income tax obligations, and there were significant judgements involved in management's analysis and assessment, such as an assessment on the possible outcome of the tax provision based on historical experiences, and estimations about future events after 31 December 2020 that may cause the Group to change its judgements regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact the tax expense in the period in which such determination is made. Relevant disclosures are included in notes 3 and 10 to the financial statements.	As to our audit procedures, we: • discussed with the Group's PRC legal advisors the tax position taken by the Certain PRC Schools particularly in respect of the eligibility of the preferential tax treatments under the relevant tax rules and regulations; • assessed any new policies, regulations or rules that have been introduced by the authorities up to the date of this report, which might have an impact on the tax position of the Certain PRC Schools; • checked to historical tax returns; • involved our internal tax experts to assist us in analysing the preferential tax treatments enjoyed by the Certain PRC Schools and assessing the adequacy of tax provisions; and • evaluated the adequacy of the Group's disclosures regarding income tax.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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 Hui Kin Fai Stephen.

Ernst & Young
Certified Public Accountants

Hong Kong
31 March 2021

X. Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**253,802**	234,242
Cost of sales		**(131,517)**	(112,934)
Gross profit		**122,285**	121,308
Other income and gains, net	5	**42,168**	26,209
Selling and distribution expenses		**(13,340)**	(11,868)
Administrative expenses		**(56,118)**	(40,907)
Impairment losses on financial assets	20	**(1,451)**	(979)
Other expenses		**(2,210)**	(895)
Finance costs	7	**(12,215)**	(8,204)
PROFIT BEFORE TAX	6	**79,119**	84,664
Income tax expense	10	**(347)**	(1,911)
PROFIT FOR THE YEAR		**78,772**	82,753
Attributable to:			
Owners of the Company		**77,184**	82,585
Non-controlling interests		**1,588**	168
		78,772	82,753
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted			
– For profit for the year	12	**RMB6.51 cents**	RMB6.78 cents

continued/…

Year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
PROFIT FOR THE YEAR	78,772	82,753
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(16,414)	7,798
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income:		
Changes in fair value	(180)	(1,820)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	(16,594)	5,978
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	62,178	88,731
Attributable to:		
Owners of the Company	60,590	88,563
Non-controlling interests	1,588	168
	62,178	88,731

XI. Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**151,126**	140,719
Right-of-use assets	14(a)	**95,580**	127,368
Goodwill	15	**68,007**	47,171
Other intangible assets	16	**20,816**	19,817
Amount advance to a related party	35(b)	**78,750**	–
Equity investment at fair value through other comprehensive income	17	**–**	180
Financial assets at fair value through profit or loss	18	**36,247**	37,888
Other non-current assets	19	**65,334**	60,187
Total non-current assets		**515,860**	433,330
CURRENT ASSETS			
Trade receivables	20	**5,619**	2,683
Contract costs	21	**3,185**	2,563
Prepayments, other receivables and other assets	22	**23,877**	124,535
Amounts due from related parties	35(b)	**5,183**	2,638
Financial assets at fair value through profit or loss	18	**4,646**	–
Term deposits	23	**40,000**	70,000
Pledged deposits	23	**187,000**	178,500
Cash and bank balances	23	**357,700**	258,613
Total current assets		**627,210**	639,532
CURRENT LIABILITIES			
Other payables and accruals	24	**88,839**	74,179
Contract liabilities	25	**108,495**	93,296
Interest-bearing bank and other borrowings	26	**143,926**	139,082
Lease liabilities	14(b)	**12,717**	16,266
Amounts due to related parties	35(b)	**275**	1,142
Tax payable		**2,914**	3,562
Other current liabilities	31(b)	**5,598**	–
Total current liabilities		**362,764**	327,527

continued/...

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NET CURRENT ASSETS		**264,446**	312,005
TOTAL ASSETS LESS CURRENT LIABILITIES		**780,306**	745,335
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*26*	**70,035**	4,000
Lease liabilities	*14(b)*	**26,436**	50,428
Deferred tax liabilities	*27*	**1,522**	981
Other non-current liabilities	*31(b)*	**12,366**	17,332
Total non-current liabilities		**110,359**	72,741
Net assets		**669,947**	672,594
EQUITY			
Share capital	*28*	**9,801**	10,286
Treasury shares		**(237)**	(114)
Reserves	*30*	**652,490**	655,479
		662,054	665,651
Non-controlling interests		**7,893**	6,943
Total equity		**669,947**	672,594

LI YUNONG
Director

LIU HONGWEI
Director

XII. Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to owners of the Company													
	Share capital RMB'000 *(note 28)*	Treasury shares^ RMB'000 *(note 28)*	Share premium* RMB'000 *(note 30)*	Capital reserve* RMB'000 *(note 30)*	Capital redemption reserve* RMB'000 *(note 30)*	Statutory surplus reserve* RMB'000 *(note 30)*	Share-based payment reserve* RMB'000 *(note 29)*	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Exchange fluctuation reserve* RMB'000	Other reserve* RMB'000 *(note 30)*	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	10,286	(114)	311,557	54,796	135	101,437	1,325	(1,820)	33,770	1,631	152,648	665,651	6,943	672,594
Profit for the year	-	-	-	-	-	-	-	-	-	-	77,184	77,184	1,588	78,772
Other comprehensive income for the year:	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of equity investment	-	-	-	-	-	-	-	(180)	-	-	-	(180)	-	(180)
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	(16,414)	-	-	(16,414)	-	(16,414)
Total comprehensive income for the year	-	-	-	-	-	-	-	(180)	(16,414)	-	77,184	60,590	1,588	62,178
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(638)	(638)
Final 2019 dividend declared *(note 11)*	-	-	(23,380)	-	-	-	-	-	-	-	-	(23,380)	-	(23,380)
Shares repurchased	(485)	114	(23,142)	-	485	-	-	-	-	-	(485)	(23,513)	-	(23,513)
Repurchase of shares under the restricted share unit scheme	-	(237)	(17,814)	-	-	-	-	-	-	-	-	(18,051)	-	(18,051)
Share-based payment arrangements	-	-	-	-	-	-	757	-	-	-	-	757	-	757
Profit appropriation to reserves	-	-	-	-	-	23,951	-	-	-	-	(23,951)	-	-	-
At 31 December 2020	9,801	(237)	247,221	54,796	620	125,388	2,082	(2,000)	17,356	1,631	205,396	662,054	7,893	669,947

continued/...

XII. Consolidated Statement of Changes in Equity

Year ended 31 December 2020

	Attributable to owners of the Company													
	Share capital RMB'000 *(note 28)*	Treasury shares^ RMB'000 *(note 28)*	Share premium* RMB'000 *(note 30)*	Capital reserve* RMB'000 *(note 30)*	Capital redemption reserve* RMB'000 *(note 30)*	Statutory surplus reserve* RMB'000 *(note 30)*	Share-based payment reserve* RMB'000 *(note 29)*	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Exchange fluctuation reserve* RMB'000	Other reserve* RMB'000 *(note 30)*	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	10,323	(37)	320,319	54,796	98	80,496	266	–	25,972	1,631	91,041	584,905	–	584,905
Profit for the year	–	–	–	–	–	–	–	–	–	–	82,585	82,585	168	82,753
Other comprehensive income for the year:														
Change in fair value of equity investment	–	–	–	–	–	–	–	(1,820)	–	–	–	(1,820)	–	(1,820)
Exchange differences related to foreign operations	–	–	–	–	–	–	–	–	7,798	–	–	7,798	–	7,798
Total comprehensive income for the year	–	–	–	–	–	–	–	(1,820)	7,798	–	82,585	88,563	168	88,731
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	6,775	6,775
Shares repurchased	(37)	(77)	(8,762)	–	37	–	–	–	–	–	(37)	(8,876)	–	(8,876)
Transfer from retained profits	–	–	–	–	–	20,941	–	–	–	–	(20,941)	–	–	–
Equity-settled share option arrangements	–	–	–	–	–	–	1,059	–	–	–	–	1,059	–	1,059
At 31 December 2019	10,286	(114)	311,557	54,796	135	101,437	1,325	(1,820)	33,770	1,631	152,648	665,651	6,943	672,594

^ During the year, the Company repurchased 40,653,000 (2019: 12,672,000) of its shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the board of the Group authorised the Trustee to purchase 27,999,000 (2019:nil) of its shares on the Stock Exchange for the restricted share unit scheme. Upon completion of the repurchase, the number of the then total repurchased shares was 81,324,000 (2019: 16,929,000), out of which 53,325,000 (2019: 4,257,000) were subsequently cancelled and the remaining 27,999,000 (2019: 12,672,000) repurchased shares were presented as treasury shares amounting to RMB237,000 as at 31 December 2020 (2019: RMB114,000).

* These reserve accounts comprise the consolidated reserves of RMB652,490,000 in the consolidated statement of financial position as at 31 December 2020 (2019: RMB655,479,000).

XIII. 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		**79,119**	84,664
Adjustments for:			
Finance costs	7	**12,215**	8,204
Interest income	5	**(13,963)**	(12,426)
Investment income	5	**(4,204)**	–
Changes in fair value of investment properties	5	**469**	(236)
Recognition of certain donated property, plant and equipment	5	**(9,523)**	–
Covid-19-related rent concessions from lessors	5	**(1,190)**	–
Covid-19-related VAT exemptions	5	**(1,986)**	–
Change in the non-cancellable period of a lease		**1,481**	–
Depreciation	6	**17,177**	13,461
Depreciation of right-of-use assets		**20,161**	17,346
Amortisation of intangible assets	6	**2,288**	706
Provision for equity-settled compensation expense	29	**757**	1,059
Provision for expected credit losses of trade receivables	6, 20	**1,451**	979
Loss on disposal of items of property, plant and equipment	6	**144**	84
		104,396	113,841
Decrease/(increase) in prepayments, other receivables and other assets		**6,599**	(11,231)
Increase in trade receivables		**(4,382)**	(1,777)
(Increase)/decrease in contract costs		**(622)**	100
(Increase)/decrease in amounts due from related parties		**(2,460)**	134
Decrease/(increase) in other payables and accruals		**10,147**	(4,789)
Decrease/(increase) in amounts due to related parties		**(867)**	1,142
Increase in contract liabilities		**15,199**	13,098
Cash generated from operations		**128,010**	110,518
Interest received		**2,457**	9,679
Corporate income tax paid		**(1,383)**	(1,085)
Net cash flows from operating activities		**129,084**	119,112
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**10,754**	982
Investment income received		**3,997**	–
Purchases for items of property, plant and equipment		**(96,195)**	(90,753)
Purchases for intangible assets		**(617)**	(7,405)
Net cash outflow in respect of acquisition of subsidiaries	31	**(15,685)**	(14,361)
Settlement of remaining consideration in respect of acquisition of a subsidiary		**(1,997)**	(7,360)
Purchases of financial assets at fair value through profit or loss		**(5,282)**	(37,648)
Purchases of equity investments designated at fair value through other comprehensive income		**–**	(2,000)
Purchases of other non-current assets		**(5,022)**	–
Proceeds from disposal of items of property, plant and equipment		**5**	–
Repayment from/(advances to) third parties, net		**95,548**	(85,269)
Increase in pledged deposits		**(8,500)**	(73,500)
Decrease in non-pledged term deposits with original maturity of more than three months		**30,000**	92,638
Net cash flows from/(used in) investing activities		**7,006**	(224,676)

continued/…

Year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		214,561	183,308
Repayment of bank and other borrowings		(143,682)	(53,226)
Listing expenses paid		–	(2,500)
Principal portion of lease payments		(16,205)	(13,877)
Dividends paid		(23,380)	–
Dividends paid to non-controlling shareholders		(638)	–
Interest paid		(12,215)	(7,980)
Repurchases of shares		(41,564)	(8,876)
Net cash flows (used in)/from financing activities		(23,123)	96,849
NET INCREASE/(DECREASE) IN CASH AND CASH		112,967	(8,715)
Cash and cash equivalents at beginning of year		258,613	259,491
Effect of foreign exchange rate changes, net		(13,880)	7,837
CASH AND CASH EQUIVALENTS AT END OF YEAR		357,700	258,613
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position and statement of cash flows	23	357,700	258,613

XIV. Notes to Financial Statements

31 December 2020

1. CORPORATE INFORMATION

China 21st Century Education Group Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 20 September 2016. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Shares of the Company were listed on the Stock Exchange on 29 May 2018.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in providing educational services and related management services in the People's Republic of China (the "PRC").

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Sainange Holdings Company Limited, which is incorporated in the British Virgin Islands ("BVI").

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Company name	Place and date of incorporation/ establishment and place of operations	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Sainage Investment Limited (新安投資有限公司)	BVI 19 October 2016	US$ 50,000	100	–	Investment holding
21st Century Education (HK) Investment Limited (香港21世紀教育投資有限公司)	Hong Kong 1 November 2016	HK$ 10,000	–	100	Investment holding
Saintach Education (HK) Investment Limited (香港新天際教育投資有限公司)	Hong Kong 3 November 2016	HK$ 10,000	–	100	Investment holding
河北晟道象成教育科技有限公司 Hebei Sheng Dao Xiang Cheng Education and Technology Co., Ltd.*# ("Sheng Dao Xiang Cheng")	PRC/ Mainland China 14 December 2016	US$ 500,000	–	100	Provision of technical and management consultancy services
河北澤瑞教育科技有限公司 Hebei Zerui Education Technology Co., Ltd. ("Zerui Education")	PRC/ Mainland China 12 July 2017	RMB 70,000,000	–	100	Investment holding
石家莊理工職業學院 Shijiazhuang Institute of Technology*#	PRC/ Mainland China 1 July 2003	RMB5,000,000	–	100	Provision of university education services and relevant management services

31 December 2020

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
河北新天際教育科技有限公司 Hebei Saintach Education and Technology Co., Ltd.*# ("Hebei Saintach")	PRC/ Mainland China 17 September 2002	RMB 10,000,000	–	100	Investment holding and provision of kindergarten management service
石家莊市橋西區新天際藍水晶幼兒園 Shijiazhuang Qiaoxi District Blue Crystal Saintach Kindergarten*# ("Blue Crystal")	PRC/ Mainland China 4 January 2011	RMB900,000	–	100	Provision of kindergarten education service
正定縣新天際幼兒園 Zhengding County Saintach Kindergarten*# ("Zhengding")	PRC/ Mainland China 28 September 2012	RMB500,000	–	100	Provision of kindergarten education service
石家莊市鹿泉區新天際福康幼兒園 Shijiazhuang Luquan District Fukang Saintach Kindergarten*# ("Fukang")	PRC/ Mainland China 12 October 2012	RMB500,000	–	100	Provision of kindergarten education service
石家莊市長安區新天際清暉幼兒園 Shijiazhuang Chang'an District Qinghui Saintach Kindergarten*# ("Qinghui")	PRC/ Mainland China 29 March 2013	RMB500,000	–	100	Provision of kindergarten education service
石家莊高新技術產業開發區新天際天山幼兒園 Shijiazhuang High-tech Industrial Development Zone Tianshan Saintach Kindergarten*# ("Tianshan")	PRC/ Mainland China 20 May 2013	RMB500,000	–	100	Provision of kindergarten education service
石家莊市長安區新天際建華幼兒園 Shijiazhuang Chang'an District Jianhua Saintach Kindergarten*# ("Jianhua")	PRC/ Mainland China 7 March 2014	RMB100,000	–	100	Provision of kindergarten education service
石家莊市橋西區新天際麗都幼兒園 Shijiazhuang Qiaoxi District Lidu Saintach Kindergarten*# ("Lidu")	PRC/ Mainland China 29 June 2015	RMB500,000	–	100	Provision of kindergarten education service
正定縣新天際福門里幼兒園 Zhengding County Fumenli Saintach Kindergarten*# ("Fumenli")	PRC/ Mainland China 29 April 2015	RMB500,000	–	100	Provision of kindergarten education service

31 December 2020

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
石家莊新天際教育科技有限公司 Shijiazhuang Saintach Education and Technology Co., Ltd.*# ("Shijiazhuang Saintach")	PRC/ Mainland China 13 July 2011	RMB 3,000,000	–	100	Investment holding and provision of after-school tutoring service
石家莊市橋西區智城培訓學校 Shijiazhuang Qiaoxi District Zhicheng Tutorial School *# ("Zhicheng")	PRC/ Mainland China 26 February 2009	RMB 1,000,000	–	100	Provision of after-school tutoring service
石家莊市長安區新天際培訓學校 Shijiazhuang Chang'an District Saintach Tutorial School*# ("Chang'an")	PRC/ Mainland China 20 April 2010	RMB 5,000,000	–	100	Provision of after-school tutoring service
石家莊市橋西區雙語文化培訓學校 Shijiazhuang Qiaoxi District Bilingual Culture Tutorial School*# ("Qiaoxi")	PRC/ Mainland China 26 November 2013	RMB 200,000	–	100	Provision of after-school tutoring service
石家莊市裕華區東崗路新天際培訓學校 Shijiazhuang Yuhua District Donggang Road Saintach Tutorial School*# ("Donggang")	PRC/ Mainland China 1 February 2016	RMB 1,000,000	–	100	Provision of after-school tutoring service
石家莊市新華區慧軒教育培訓學校 Shijiazhuang Xinhua District Huixuan Education Tutorial School*# ("Huixuan")	PRC/ Mainland China 3 August 2016	RMB 600,000	–	100	Provision of after-school tutoring service
石家莊市高新區新天際培訓學校 Shijiazhuang High-tech Industrial Development Zone Saintach Tutorial School*# ("Gaoxin")	PRC/ Mainland China 19 December 2016	RMB500,000	–	100	Provision of after-school tutoring service
北京新天地線信息技術有限公司 Beijing Xin Tian Di Xian Information and Technology Co.,Ltd.*# ("Xin Tian Di Xian")	PRC/ Mainland China 6 March 2015	RMB3,157,900	–	100	Provision of technical service
北京志航教育科技有限公司 Beijing Zhihang Education Technology Co., Ltd. * ("Beijing Zhihang")	PRC/ Mainland China 30 July 2019	RMB3,000,000	–	100	Provision of technical service

31 December 2020

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company Direct	Indirect	Principal activities
上海志宇教育科技有限公司 Shanghai Zhiyu Education Technology Co., Ltd.* ("Shanghai Zhiyu")	PRC/ Mainland China 16 January 2019	RMB5,000,000	–	100	Provision of technical service
浙江培尖科技有限公司 Zhejiang Peijian Technology Co., Ltd.*# ("Zhejiang Peijian")	PRC/ Mainland China 29 December 2017	RMB 10,000,000	–	51	Investment holding and provision of after-school tutoring service
重慶培尖課外培訓學校有限公司 Chongqing Peijian Tutorial School, Ltd.*# ("Chongqing Peijian")	PRC/ Mainland China 16 May 2018	RMB 1,000,000	–	51	Provision of after-school tutoring service
杭州華石培尖培訓學校有限公司 Hangzhou Huashi Peijian Tutorial School, Ltd.*# ("Hangzhou Huashi")	PRC/ Mainland China 17 October 2018	RMB 1,000,000	–	51	Provision of after-school tutoring service
杭州一脈企業管理諮詢有限責任公司 Hangzhou Yimai Enterprise Management Consulting Co., Ltd.*# ("Hangzhou Yimai")	PRC/ Mainland China 16 May 2018	RMB 1,250,000	–	70	Investment holding
紹興上虞學鼎教育諮詢有限公司 Shaoxing Shangyu Xueding Education Consulting Co., Ltd.*# ("Shangyu Company")	PRC/ Mainland China 17 September 2010	RMB 150,000	–	70	Investment holding and provision of after-school tutoring service
紹興市上虞區學鼎教育培訓學校 Shaoxing Shangyu Shinedao Education Tutorial School*# ("Shangyu School")	PRC/ Mainland China 3 April 2018	RMB 300,000	–	70	Provision of after-school tutoring service
嘉善縣學鼎培訓學校有限公司 Jiashan County Shinedo Education Tutorial School, Ltd.*# ("Jiashan School")	PRC/ Mainland China 5 November 2010	RMB 150,000	–	70	Provision of after-school tutoring service
余姚學道教育培訓學校有限公司 Yuyao Xuedao Education Tutorial School, Ltd.*# ("Yuyaoxuedao")	PRC/ Mainland China 27 June 2016	RMB100,000	–	70	Provision of after-school tutoring service

31 December 2020

1. CORPORATE INFORMATION (CONTINUED)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries are as follows: (continued)

Company name	Place and date of incorporation/ establishment and place of operations	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
余姚學能培訓學校有限公司 Yuyao Xueneng Tutorial School, Ltd.*# ("Yuyaoxueneng")	PRC/ Mainland China 21 May 2019	RMB 100,000	–	70	Provision of after-school tutoring service
舟山市定海區學鼎培訓學校有限公司 Zhoushan Dinghai Shinedao Education Tutorial School Co., Ltd.*# ("Dinghai Company")	PRC/ Mainland China 31 March 2020	RMB 300,000	–	70	Provision of after-school tutoring service
石家莊哲瀚圖書銷售有限公司 Shijiazhuang Zhehan Book Sales Co., Ltd.* ("Zhehan")	PRC/ Mainland China 13 January 2015	RMB 1,000,000	–	100	Sale of books
重慶和琢教育科技有限公司 Chongqing Hezhuan Education Technology Co., Ltd.* ("Chongqing Hezhuan")	PRC/ Mainland China 25 August 2020	RMB 250,000,000	–	100	Investment holding and provision of management service
重慶睿琢晟教育科技有限公司 Chongqing Ruizhuansheng Education Technology Co., Ltd.* ("Chongqing Ruizhuan")	PRC/ Mainland China 24 August 2020	RMB 4,000,000	–	100	Investment holding and provision of management service
愛迪歐環球(北京)教育科技有限公司 Aidiou Global (Beijing) Education Technology Co., Ltd* ("Aidiou Education")	PRC/ Mainland China 11 November 2011	RMB 5,000,000	–	100	Provision of educational counseling service

* The English names of all the above companies represent the best effort made by the directors to translate the Chinese names as these companies have not been registered with any official English names.

\# These entities are owned through contractual arrangements.

During the year, the Group deregistered Zhoushan Dinghai District Xueding Education Training School舟山市定海區學鼎教育培訓學校.

31 December 2020

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued 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, except for an equity investment at fair value through other comprehensive income, financial assets at fair value through profit or loss, and a contingent consideration payable which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group 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).

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 Company 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.

31 December 2020

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

The nature and the 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.

31 December 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(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 COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's office buildings have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the year ended 31 December 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB1,190,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

(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 IFRSs

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

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

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

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.

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.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate ("HIBOR") and various Interbank Offered Rates as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

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.

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.

31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (CONTINUED)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

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

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

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

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

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

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.

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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) as at the end of each reporting period.

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), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

An assessment is made as 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 profit or loss in the period in which it arises.

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.

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. 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.

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	2.88% to 19.00%
Leasehold improvements	19.00% to 33.33%
Equipment	19.00% to 31.67%
Furniture and fixtures	19.00%
Motor vehicles	11.88% to 23.75%

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 as at each financial year end.

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

Construction in progress mainly represents buildings under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

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 as at each financial year end.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on a straight-line basis over its estimated useful life of 5 to 10 years.

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill) (continued)

Brands

Brands mainly represent brands arising from the acquisition of subsidiaries (note 31) that are stated at cost less any impairment losses and are amortised on a straight-line basis over their estimated useful lives of 10 years.

Other intangible assets

Other intangible assets mainly represent certain media platforms and copyrights arising from the acquisition of subsidiaries (note 31) that are stated at cost less any impairment losses and are amortised on a straight-line basis over their estimated useful lives ranging from 3 to 10 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	36 years
Buildings	1 to 14 years

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

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 property (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.

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.

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

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

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

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

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

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments*: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

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

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, 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 which are not restricted as to use.

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 each of the year, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

- when the deferred tax liability 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 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.

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed as 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 as 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 each reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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.

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.

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Tuition and boarding fees are generally received by the college, tutorial centers and kindergartens in advance prior to the beginning of each academic year or the respective program, and are initially recorded as contract liabilities. Tuition and boarding fees are recognised proportionately over the relevant period of the academic year of the respective 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 Group does not expect to have significant contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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.

College management service income and other services income are recognised when services are provided.

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).

Contract costs

Other than the costs which are capitalised as property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. Further details are given in note 29 to these financial statements.

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

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

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

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

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

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

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries 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 are expensed in the period in which they are incurred.

Foreign currencies

These financial statements are presented in RMB. The functional currency of the Company is Hong Kong dollars ("HK$"). 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 as at the end of each 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 recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB 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 the profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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. 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 judgment, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Contractual arrangements

The Group exercises control over Shijiazhuang Institute of Technology, Shijiazhuang Saintach and its tutorial centers (collectively, "Saintach Tutorial Centers"), Zhejiang Peijian and its tutorial schools (collectively, "Peijian Tutorial Schools"), Hangzhou Yimai, Shangyu Company and its tutorial schools (collectively, "Shinedao Tutorial Schools"), Hebei Saintach and its kindergartens (collectively, "Saintach Kindergartens"), Xin Tian Di Xian, Beijing Zhihang and Zerui Education (the "structured entities") and enjoys economic benefits of the structured entities through a series of contractual arrangements.

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

Current and deferred tax

According to the Regulations for the Implementation of the Law on the Promotion of Non-public Schools of the People's Republic of China (the "Implementation Regulations"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatments. The Implementation Regulations provide that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. Up to 31 December 2020, no separate policies, regulations or rules have been introduced by the authorities in this regard. No corporate income tax was provided on the income from the provision of formal educational services by certain schools in the People's Republic of China (the "Certain PRC Schools").

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. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period in which such determination is made. Further details of the current and deferred tax are set out in note 10 to the financial statements.

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2020, the carrying amount of goodwill was RMB68,007,000 (2019: RMB47,171,000). Further details are given in note 15 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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 provision of services, or from a change in the market demand for the 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 as at the end of each reporting period. Further details of the property, plant and equipment are set out in note 13 to the financial statements.

31 December 2020

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education services and the college management services in the PRC.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit which is measured consistently with the Group's profit before tax except that finance costs (other than interest on lease liabilities), interest income and other unallocated expenses are excluded from such measurement.

Segment assets exclude cash and bank balances, term deposits, pledged deposits, financial assets at fair value through profit or loss, an equity investment at fair value through other comprehensive income and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, amounts due to related parties, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

31 December 2020

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2020	Vocational education RMB'000	Quality-oriented education RMB'000	Total RMB'000
Segment revenue (note 5)			
Sales to external customers	152,806	100,996	253,802
Other segment revenue	21,662	2,602	24,264
Revenue	174,468	103,598	278,066
Segment results	93,540	10,716	104,256
Reconciliation			
Finance costs (other than interest on lease liabilities)			(9,579)
Interest income			13,963
Unallocated income and expenses, net			(29,521)
Profit before tax			79,119
Segment assets	355,836	70,447	426,283
Reconciliation			
Term deposits			40,000
Pledged deposits			187,000
Cash and bank balances			357,700
Financial assets at fair value through profit or loss			40,893
Unallocated head office and corporate assets			91,194
Total assets			1,143,070
Segment liabilities	(158,878)	(66,033)	(224,911)
Reconciliation			
Interest-bearing bank and other borrowings			(213,961)
Amounts due to related parties			(275)
Tax payable			(2,914)
Unallocated head office and corporate liabilities			(31,062)
Total liabilities			(473,123)
Other segment information:			
Depreciation and amortisation	21,376	18,250	39,626
Capital expenditure^	25,239	5,781	31,020
Loss on disposal of items of property, plant, and equipment	1	143	144

31 December 2020

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2019	Vocational education RMB'000	Quality-oriented education RMB'000	Total RMB'000
Segment revenue (note 5)			
Sales to external customers	141,028	93,214	234,242
Other segment revenue	8,165	618	8,783
Revenue	149,193	93,832	243,025
Segment results	77,885	18,346	96,231
Reconciliation			
Finance costs (other than interest on lease liabilities)			(5,587)
Interest income			12,426
Unallocated income and expenses, net			(18,406)
Profit before tax			84,664
Segment assets	396,046	60,314	456,360
Reconciliation			
Term deposits			70,000
Pledged deposits			178,500
Cash and bank balances			258,613
Financial assets at fair value through profit or loss			37,888
Equity investment at fair value through other comprehensive income			180
Unallocated head office and corporate assets			701,321
Total assets			1,072,862
Segment liabilities	(154,755)	(71,044)	(225,799)
Reconciliation			
Interest-bearing bank and other borrowings			(143,082)
Amounts due to related parties			(1,142)
Tax payable			(3,562)
Unallocated head office and corporate liabilities			(26,683)
Total liabilities			(400,268)
Other segment information:			
Depreciation and amortisation	20,019	11,494	31,513
Capital expenditure^	21,384	25,278	46,662
Loss on disposal of items of property, plant, and equipment	84	–	84

^ Capital expenditure consists of additions in right-of-use assets, property, plant and equipment, and intangible assets including assets from the acquisition of subsidiaries.

31 December 2020

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

During the years ended 31 December 2020 and 2019 the Group operated within one geographical segment because all of its revenue was generated in Mainland China and all of its long-term assets were located in Mainland China. Accordingly, no geographical segment information is presented.

Information about major customers

During the years ended 31 December 2020 and 2019, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Notes	**2020 RMB'000**	2019 RMB'000
Revenue from contracts with customers			
Vocational education			
Tuition fees		**113,348**	93,055
Boarding fees		**7,179**	11,273
College operation service income	*(a)*	**21,089**	20,132
Others	*(b)*	**11,190**	16,568
		152,806	141,028
Quality-oriented education			
Tutoring fees		**84,527**	57,016
Tuition fees		**10,734**	28,648
Consultation fees		**5,735**	7,550
		100,996	93,214
		253,802	234,242

Notes:

(a) The college operation service income comprises the service income derived from the provision of college operation services and the provision of accommodation services to the students; and

(b) Others represent service fees received from certain independent universities in respect of the provision of student recruitment services, income received from the provision of vocational training and examination preparation courses and income derived from granting the right of canteen management.

31 December 2020

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020 RMB'000	2019 RMB'000
Timing of revenue recognition		
Education related services transferred over time	**245,939**	222,827
Other services recognised at a point of time	**7,863**	11,415
	253,802	234,242

The Group's contracts with students for college education programmes are normally with a duration of 1 year renewed up to a total duration of 3 to 5 years depending on the education programmes, while those for boarding fees are normally with a duration of 1 year. Tuition fees of preschool education are with a duration of 1 month and for the tutorial center, tuition is charged based on the number of tutoring hours to be taken by students and the type of class. Tuition and boarding fees are determined and paid by the students before the start of the school year.

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Tuition fees	**78,253**	55,861
Boarding fees	**9,786**	6,725
Others	**5,257**	9,051
	93,296	71,637

No revenue recognised during the year relates to performance obligation that was satisfied in prior years.

31 December 2020

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Education related services

The performance obligations for the provision of education related services are satisfied over time as services are rendered and payment for tuition fees and boarding fees are normally required before rendering the services.

Other services

The performance obligations related to other services are satisfied at the point of time upon completion of the related services.

The contracts for education related services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

An analysis of other income and gains is as follows:

	Notes	**2020 RMB'000**	2019 RMB'000
Other income and gains, net			
Interest income		**13,963**	12,426
Investment income		**4,204**	–
Sale of education materials and living goods		**4,327**	4,660
Site use fees	*(a)*	**2,101**	2,844
Government grants	*(b)*	**2,460**	5,000
Covid-19-related VAT exemptions		**1,986**	–
Covid-19-related rent concessions		**1,190**	–
Fair value gain on financial assets at fair value through profit or loss		**(469)**	236
Foreign exchange gain		**1,984**	–
Others		**10,422**	1,043
		42,168	26,209

Notes:

(a) The amounts represent usage fees received from certain colleges and enterprises in connection with their uses of the school premises and facilities of the Group to organise teaching and training activities.

(b) The government grants are mainly related to Zerui Education, a subsidiary of the Group, which received RMB2,000,000 from the local government to encourage innovation and entrepreneurship. (2019: RMB5,000,000 for awarding the Group's listing of shares).

31 December 2020

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2020 RMB'000	2019 RMB'000
Depreciation of property, plant and equipment	*13*	**17,177**	13,461
Depreciation of right-of-use assets	*14(a)*	**20,161**	17,346
Amortisation of intangible assets*	*16*	**2,288**	706
Lease payments not included in the measurement of lease liabilities	*14(b)*	**1,824**	3,634
Employee benefit expense (excluding directors' remuneration *(note (8)):*			
Wages and salaries		**84,305**	73,754
Pension scheme contributions (defined contribution scheme)		**11,075**	11,197
Equity-settled compensation expenses		**232**	484
		95,612	85,435
Foreign exchange differences, net		**(1,984)**	559
Impairment of trade receivables	*20*	**1,451**	979
Fair value loss/(gains), net:			
Financial assets at fair value through profit or loss	*5*	**469**	(236)
Auditor's remuneration		**1,830**	1,680
Loss on disposal of items of property, plant and equipment		**144**	84

* The amortisation of intangible assets for each of the reporting periods is included in "Cost of sales" or "Administrative expenses" in profit or loss.

31 December 2020

7. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on bank and other borrowings	8,266	4,807
Interest on lease liabilities	2,636	2,617
Financing consultancy service charges^	1,313	780
	12,215	8,204

^ Financing consultancy service charges represented service charges paid by the Group in respect of certain bank and other borrowings obtained.

8. DIRECTORS' REMUNERATION

Details of directors' remuneration for the year, disclosed pursuant to the requirements of the Rules Governing the Listing of Securities of the Main Board on the Stock Exchange, section 383(1)(a),(b),(c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

	2020 RMB'000	2019 RMB'000
Fees	192	173
Other emoluments:		
Salaries, allowances and benefits in kind	761	776
Equity-settled share option expense	525	575
Pension scheme contributions	215	209
	1,501	1,560
	1,693	1,733

31 December 2020

8. DIRECTORS' REMUNERATION (CONTINUED)

During the year, certain directors were granted share options under the share option scheme and the restricted share unit scheme of the Company in respect of their services to the Group. Further details are set out in note 29 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(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. Guo Litian	60	60
Mr. Ma Guoqing*	–	–
Mr. Yao Zhijun	60	60
Mr. Wan Joseph Jason*	72	53
	192	173

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

* Mr. Ma Guoqing resigned as an independent non-executive director on 6 March 2019. Mr. Wan Joseph Jason succeeded him as the independent non-executive director with effect from 6 March 2019.

31 December 2020

8. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors

Year ended 31 December 2020	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
Mr. Li Yunong	240	69	34	343
Mr. Liu Zhanjie	154	59	177	390
Ms. Liu Hongwei	149	31	117	297
Mr. Ren Caiyin	149	42	97	288
Ms. Yang Li	69	15	99	183
	761	216	524	1,501

Year ended 31 December 2019	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
Mr. Li Yunong	240	67	–	307
Mr. Liu Zhanjie	184	46	233	463
Ms. Liu Hongwei	150	36	113	299
Mr. Ren Caiyin	129	32	113	274
Ms. Yang Li	73	28	116	217
	776	209	575	1,560

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

31 December 2020

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2019: two), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (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	1,918	649
Pension scheme contributions	295	47
	2,213	696

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	2020	2019
Nil to HK$1,000,000	4	3

10. INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

The Company's directly held subsidiary was incorporated in the BVI as an exempted company with limited liability under the BVI Companies Act. 2004 and accordingly is not subject to income tax.

Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

31 December 2020

10. INCOME TAX (CONTINUED)

PRC Corporate Income Tax ("CIT")

Xin Tian Di Xian was accredited as a High-tech Enterprise and was entitled to a preferential tax rate of 15% (2019: 15%).

Blue Crystal, Qinghui, Tianshan, Lidu, Fumenli, Jian Hua, Fukang, Zhengding, Huixuan, Gaoxin, Hangzhou Huashi, Jiashan School, Hangzhou Yimai, Shangyu Company, Shangyu School, Yuyaoxuedao, Yuyaoxueneng, Zhehan, Sheng Dao Xiang Cheng, Beijing Zhihang and Shanghai Zhiyu were certified as small and micro-sized enterprises ("SMEs") in 2020 whose accumulated taxable income of the year was below RMB1,000,000, and enjoyed 75% reduction of the accumulated taxable income and the preferential CIT rate of 20% for the year (2019: enjoyed 75% reduction of the accumulated taxable income and the preferential CIT rate of 20% for the year).

Zhicheng, Chang'an, Qiaoxi, Donggang, Zhejiang Peijian, Chongqing Peijian and Dinghai Company were certified as SMEs in 2020, whose accumulated taxable income of the year exceeded RMB1,000,000 but below RMB3,000,000. These subsidiaries enjoyed 75% reduction of the accumulated taxable income and the preferential CIT rate of 20% for the taxable income below RMB1,000,000, and 50% reduction of the accumulated taxable income and the preferential CIT rate of 20% for the taxable income exceeding RMB1,000,000 and below RMB3,000,000 (2019: 75% reduction of the accumulated taxable income and the preferential CIT rate of 20% and 50% reduction of the accumulated taxable income and the preferential CIT rate of 20%).

Pursuant to the CIT Law and the respective regulations, the other PRC subsidiaries were subject to income tax at a statutory rate of 25% for the year (2019: 25%).

According to Implementation Regulations, non-public schools, whether requiring reasonable returns or not, may enjoy preferential tax treatments. non-public schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. It is stated in the Implementation Regulations that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. During the year and up to the date of approval of these financial statements, no separate policies, regulations or rules have been introduced by the authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities, the Group's schools which require reasonable returns did not pay CIT and had enjoyed the preferential CIT exemption treatments in 2020. Except for the tutorial centers and certain kindergartens, there was no CIT imposed on Shijiazhuang Institute of Technology and the remaining kindergartens in respect of the education services provided in 2020.

As a result, no income tax expense was recognised for the income from the provision of formal education services for the year ended 31 December 2020 (2019: Nil).

31 December 2020

10. INCOME TAX (CONTINUED)

PRC Corporate Income Tax ("CIT") (continued)

The major components of the Corporate income tax expense for the Group are as follows:

	2020 RMB'000	2019 RMB'000
Current – Mainland China		
Charge for the year	1,037	2,106
Overprovision in prior years	(563)	(124)
Deferred *(note 27)*	(127)	(71)
	347	1,911

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries (or jurisdictions) in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2020 RMB'000	2019 RMB'000
Profit before tax	79,119	84,664
Tax at the statutory tax rate	19,780	21,166
Profit arising from schools not subject to tax	(29,292)	(25,226)
Effect of different tax rates for certain group entities	(1,603)	(1,134)
Expenses not deductible for tax	537	629
Adjustments in respect of current tax of previous periods	(563)	(124)
Tax losses utilised from previous periods	(1,165)	(716)
Tax losses not recognised	12,653	7,316
	347	1,911

31 December 2020

10. INCOME TAX (CONTINUED)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

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 (2019: Nil). In the opinion of the directors, the Group's unremitted earnings 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 amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB162,900,000 at 31 December 2020 (2019: RMB124,906,000).

As at 31 December 2020, the Group had tax losses arising in Mainland China of RMB63,470,000 (2019: RMB28,198,000) which will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these 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 tax losses can be utilised.

11. DIVIDENDS

	2020 **RMB'000**	2019 RMB'000
Proposed final – HK1.57 cents (2019: HK2.22 cents) per ordinary share	**15,437**	23,380

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

31 December 2020

12. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company and the adjusted weighted average number of the ordinary shares of 1,186,289,146 (2019: 1,218,762,058) in issue during the year.

There was no dilution effect on the basis earnings per share amount presented in respect of the share options and restricted share units outstanding as at 31 December 2020 and 2019, and as such the Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

The calculations of basic and diluted earnings per share are based on:

	2020	2019
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	**77,184**	82,585

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue	**1,187,831,671**	1,218,762,058
Weighted average number of shares held for the RSU Scheme	**(1,542,525)**	–
Adjusted weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	**1,186,289,146**	1,218,762,058

31 December 2020

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2020	Buildings and facilities RMB'000	Leasehold improvements RMB'000	Equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2019 and 1 January 2020:							
Cost	112,887	51,472	35,391	21,769	60	2,953	224,532
Accumulated depreciation	(17,823)	(23,934)	(26,220)	(15,783)	(53)	–	(83,813)
Net carrying amount	95,064	27,538	9,171	5,986	7	2,953	140,719
At 1 January 2020, net of accumulated depreciation	95,064	27,538	9,171	5,986	7	2,953	140,719
Additions	–	4,380	13,274	1,620	–	8,408	27,682
Acquisition of subsidiaries *(note 31)*	–	22	29	–	–	–	51
Disposals	–	–	(22)	(126)	(1)	–	(149)
Depreciation provided during the year *(note 6)*	(3,236)	(9,029)	(3,538)	(1,373)	(1)	–	(17,177)
Transfer	–	2,874	–	–	–	(2,874)	–
At 31 December 2020, net of accumulated depreciation	91,828	25,785	18,914	6,107	5	8,487	151,126
At 31 December 2020:							
Cost	112,887	58,747	48,324	22,585	60	8,487	251,090
Accumulated depreciation	(21,059)	(32,962)	(29,410)	(16,478)	(55)	–	(99,964)
Net carrying amount	91,828	25,785	18,914	6,107	5	8,487	151,126

31 December 2020

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31 December 2019	Buildings and facilities RMB'000	Leasehold improvements RMB'000	Equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2018 and 1 January 2019:							
Cost	112,887	31,814	32,807	19,018	65	878	197,469
Accumulated depreciation	(12,188)	(19,244)	(24,989)	(15,452)	(55)	–	(71,928)
Net carrying amount	100,699	12,570	7,818	3,566	10	878	125,541
At 1 January 2019, net of accumulated depreciation	100,699	12,570	7,818	3,566	10	878	125,541
Additions	–	15,893	2,573	2,651	–	5,950	27,067
Acquisition of subsidiaries *(note 31)*	–	1,114	395	147	–	–	1,656
Disposals	–	–	(49)	(34)	(1)	–	(84)
Depreciation provided during the year *(note 6)*	(5,635)	(4,689)	(2,259)	(876)	(2)	–	(13,461)
Transfer	–	2,650	693	532	–	(3,875)	–
At 31 December 2019, net of accumulated depreciation	95,064	27,538	9,171	5,986	7	2,953	140,719
At 31 December 2019:							
Cost	112,887	51,472	35,391	21,769	60	2,953	224,532
Accumulated depreciation	(17,823)	(23,934)	(26,220)	(15,783)	(53)	–	(83,813)
Net carrying amount	95,064	27,538	9,171	5,986	7	2,953	140,719

31 December 2020

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of land and buildings used in its operations. Lump sum payments were made upfront to acquire the leasehold land from the owners with lease periods of 36 years, and no ongoing payments will be made under the terms of these land leases. Leases of certain buildings generally have lease terms between 1 and 14 years. And the remaining buildings generally have lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) ***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	Buildings RMB'000	Total RMB'000
As at 1 January 2019	60,341	69,249	129,590
Additions	–	6,774	6,774
Additions as a result of acquisition of subsidiaries	–	8,350	8,350
Depreciation charge	(1,757)	(15,589)	(17,346)
As at 31 December 2019 and 1 January 2020	58,584	68,784	127,368
Additions	–	7,421	7,421
Depreciation charge	(1,757)	(18,404)	(20,161)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(19,048)	(19,048)
As at 31 December 2020	**56,827**	**38,753**	**95,580**

31 December 2020

14. LEASES (CONTINUED)

The Group as a lessee (continued)

(b) ***Lease liabilities***

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	**66,694**	65,533
New leases	**7,421**	6,688
Additions as a result of acquisition of subsidiaries	**–**	8,350
Accretion of interest recognised during the year	**2,636**	2,617
Covid-19-related rent concessions from lessors	**(1,190)**	–
Payments	**(18,841)**	(16,494)
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(17,567)**	–
Carrying amount at 31 December	**39,153**	66,694
Analysed into:		
Current portion	**12,717**	16,266
Non-current portion	**26,436**	50,428

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

As disclosed in note 2.2 to the financial statements, the Group has early adopted the amendment to IFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain buildings during the year.

(c) ***The amounts recognised in profit or loss in relation to leases are as follows:***

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	**2,636**	2,617
Depreciation charge of right-of-use assets	**20,161**	15,590
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in cost of sales)	**1,491**	2,454
Expense relating to leases of low-value assets (included in administrative expenses)	**333**	1,180
Covid-19-related rent concessions from lessors	**(1,190)**	–
Total amount recognised in profit or loss	**23,431**	21,841

(d) The total cash outflow for leases is disclosed in note 32(c) to the financial statements.

31 December 2020

15. GOODWILL

	RMB'000
At 1 January 2019	
Cost:	17,121
Acquisition of subsidiaries *(note 31)*	30,050
Cost and net carrying amount at 31 December 2019	47,171
At 1 January 2020	
Cost:	47,171
Acquisition of subsidiaries *(note 31)*	20,836
Cost and net carrying amount at 31 December 2020	**68,007**

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Cash-generating unit of Xin Tian Di Xian;
- Cash-generating unit of Hangzhou Yimai;
- Cash-generating unit of Zhejiang Peijian; and
- Cash-generating unit of Aidiou Education.

31 December 2020

15. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

Cash-generating unit of Xin Tian Di Xian

The recoverable amount of Xin Tian Di Xian cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 22%. The growth rate used to extrapolate the cash flows of Xin Tian Di Xian beyond the five-year period is 3%.

In the opinion of the Company's directors, a decrease in the growth rate by 4% to –1% would cause the carrying amount of the cash-generating unit to exceed its recoverable amount by approximately RMB96,000 to RMB17,433,000, and any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

Cash-generating unit of Hangzhou Yimai

The recoverable amount of Hangzhou Yimai cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 19%. The growth rate used to extrapolate the cash flows of Hangzhou Yimai beyond the five-year period is 3%.

In the opinion of the Company's directors, a decrease in the growth rate by 1% to 2% would cause the carrying amount of the cash-generating unit to exceed its recoverable amount by approximately RMB74,000 to RMB18,337,000, and any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

Cash-generating unit of Zhejiang Peijian

The recoverable amount of Zhejiang Peijian cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 24%. The growth rate used to extrapolate the cash flows of Zhejiang Peijian beyond the five-year period is 3%.

In the opinion of the Company's directors, a decrease in the growth rate by 2% to 1% would cause the carrying amount of the cash-generating unit to exceed its recoverable amount by approximately RMB42,000 to RMB45,353,000, and any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

31 December 2020

15. GOODWILL (CONTINUED)

Impairment testing of goodwill (continued)

Cash-generating unit of Aidiou Education

The recoverable amount of Aidiou Education cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 25%. The growth rate used to extrapolate the cash flows of Aidiou Education beyond the five-year period is 3%.

In the opinion of the Company's directors, a decrease in the growth rate by 0.5% to 2.5% would cause the carrying amount of the cash-generating unit to exceed its recoverable amount by approximately RMB191,000 to RMB22,004,000, and any reasonably possible change in the other key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted sales amounts – The budgeted sales amounts are based on the historical data and management's expectation on the future market.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Long term growth rate – The long term growth rate is based on the historical data and management's expectation on the future market.

Discount rate – The discount rate reflects specific risks relating to the relevant unit, which is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain publicly listed companies conducting business in the industry.

The values assigned to the key assumptions on market development of the cash-generating unit and the discount rate are consistent with external information sources.

31 December 2020

16. OTHER INTANGIBLE ASSETS

	Computer software RMB'000	Brands RMB'000	Other intangible assets RMB'000	Total RMB'000
31 December 2020				
Cost at 1 January 2020, net of accumulated amortisation	**1,469**	**17,484**	**864**	**19,817**
Additions	**617**	**–**	**–**	**617**
Acquisition of subsidiaries *(note 31)*	**–**	**–**	**2,670**	**2,670**
Amortisation provided during the year *(note 6)*	**(266)**	**(1,770)**	**(252)**	**(2,288)**
At 31 December 2020, net of accumulated amortisation	**1,820**	**15,714**	**3,282**	**20,816**
At 31 December 2020:				
Cost	**3,525**	**17,700**	**3,786**	**25,011**
Accumulated amortisation	**(1,705)**	**(1,986)**	**(504)**	**(4,195)**
Net carrying amount	**1,820**	**15,714**	**3,282**	**20,816**

	Computer software RMB'000	Brands RMB'000	Other intangible assets RMB'000	Total RMB'000
31 December 2019				
Cost at 1 January 2019, net of accumulated amortisation	1,468	–	1,116	2,584
Additions	239	–	–	239
Acquisition of subsidiaries *(note 31)*	–	17,700	–	17,700
Amortisation provided during the year *(note 6)*	(238)	(216)	(252)	(706)
At 31 December 2019, net of accumulated amortisation	1,469	17,484	864	19,817
At 31 December 2019:				
Cost	2,908	17,700	1,116	21,724
Accumulated amortisation	(1,439)	(216)	(252)	(1,907)
Net carrying amount	1,469	17,484	864	19,817

31 December 2020

17. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RMB'000	2019 RMB'000
Equity investment designated at fair value through other comprehensive income		
Unlisted equity investment, at fair value		
Beijing Ying Yu New Media Interaction Technology Co., Ltd.	–	180

The above equity investment is irrevocably designated at fair value through other comprehensive income as the Group considers the investment to be strategic in nature.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2020 RMB'000	2019 RMB'000
A listed equity investment, at fair value	(i)	4,646	–
Other unlisted investment, at fair value			
Wealth capital management products	(ii)	35,325	37,888
Life insurance policy	(iii)	922	–
		40,893	37,888
Analysed into:			
Current portion		4,646	–
Non-current portion		36,247	37,888

Notes:

(i) The above equity investment was classified as a financial asset at fair value through profit or loss as it was held for trading.

(ii) The unlisted investment was wealth management products, which were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

(iii) The Group's financial assets at fair value through profit or loss represented a life insurance policy to insure an executive director as at 31 December 2020 (2019: nil). Under the policy, the Group is the beneficiary and the policy holder. The Group paid upfront premiums for the policy and may surrender the insurance policies any time by making a written request and receive cash based on the surrender value of the policies at the date of withdrawal, which is calculated by the insurer. In the opinion of the directors, the surrender value of the policies provided by the insurance company is the best approximation of its fair value, which is categorised within Level 3 of the fair value hierarchy. The life insurance policy was mandatorily classified as a financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest.

As at 31 December 2020, the Group's life insurance policies were pledged as security for bank facilities granted to the Group. Further details are contained in note 26 to the financial statements.

In the opinion of the directors, the Group's life insurance policy would not be surrendered within the next 12 months and was therefore classified as non-current assets.

31 December 2020

19. OTHER NON-CURRENT ASSETS

	2020 RMB'000	2019 RMB'000
Other unlisted investments, at amortised cost		
Trust funds	65,334	60,187

Other non-current assets are stand-alone trust funds classified as financial assets at amortised cost as their contractual cash flows are solely payments of principal and interest and they were held for collecting the contractual cash flows. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2020, the loss allowance was assessed to be minimal.

20. TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Tuition receivables	8,049	3,662
Impairment	(2,430)	(979)
	5,619	2,683

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in September. The outstanding receivables represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of loss allowance, is as follows:

	2020 RMB'000	2019 RMB'000
Within one year	4,637	2,331
One to two years	895	352
Two to three years	87	–
	5,619	2,683

31 December 2020

20. TRADE RECEIVABLES (CONTINUED)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of year	979	–
Impairment losses *(note 6)*	1,451	979
At end of year	2,430	979

The increase in the loss allowance of RMB1,451,000 was due to a net increase in the gross carrying amount of trade receivables which were past due.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the trade receivables are from the same customer bases. The provision rates of the trade receivables are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflects the historical loss rate, adjusted for forward looking, reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

As at 31 December 2020

		Past due		
	Current	Less than 183 days	Over 183 days	Total
Expected credit loss rate	19%	60%	100%	30%
Gross carrying amount (RMB'000)	6,116	1,636	297	8,049
Expected credit losses (RMB'000)	1,148	985	297	2,430

As at 31 December 2019

		Past due		
	Current	Less than 183 days	Over 183 days	Total
Expected credit loss rate	13%	75%	100%	27%
Gross carrying amount (RMB'000)	2,885	688	89	3,662
Expected credit losses (RMB'000)	375	515	89	979

31 December 2020

21. CONTRACT COSTS

Contract costs capitalised as at 31 December 2020 related to the incremental commission fees for successful referral of students entering into contracts for the tuition services. Contract costs are recognised as part of selling expenses in profit or loss in the period in which revenue from the related tuition services is recognised. The amount of capitalised costs recognised in profit or loss during the year ended 31 December 2020 was RMB3,549,000 (2019: RMB3,296,000). There was no impairment in relation to the costs capitalised as at 31 December 2020.

The contract costs are amortised over the duration of the education programmes ranging from 1 to 3 years.

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'000	2019 RMB'000
Prepayments	5,132	7,938
Deposits	5,924	7,227
Other receivables	12,821	109,370
	23,877	124,535

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

31 December 2020

23. CASH AND BANK BALANCES, TERM DEPOSITS AND PLEDGED DEPOSITS

	Note	2020 RMB'000	2019 RMB'000
Cash and bank balances		**357,700**	258,613
Pledged deposits	*26(iii)*	**187,000**	178,500
Term deposits		**40,000**	70,000
		584,700	507,113
Less: Pledged deposits for bank facilities		**(187,000)**	(178,500)
Term deposits with original maturity over three months		**(40,000)**	(70,000)
		357,700	258,613
Cash and cash equivalents			
Denominated in:			
RMB		**553,915**	454,127
HK$		**16,857**	32,583
US dollars (US$)		**13,928**	20,403
		584,700	507,113

As at 31 December 2020, the Group's cash and bank balances, term deposits and pledged deposits denominated in RMB amounted to RMB553,915,000 (2019: RMB454,127,000). The RMB is not freely convertible into other currencies, however, under the PRC 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. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances, term deposits and pledged deposits are deposited with creditworthy banks with no recent history of default.

31 December 2020

24. OTHER PAYABLES AND ACCRUALS

	2020 RMB'000	2019 RMB'000
Salary and welfare payables	24,521	25,646
Miscellaneous advances from students*	29,291	23,733
Other tax payables	4,199	4,325
Payables for purchases of property, plant and equipment	2,511	1,720
Deposits	2,579	2,515
Scholarships	726	1,632
Other payables	19,444	12,790
Remaining consideration payable for acquisition of subsidiaries *(note 31)*	5,568	1,818
	88,839	74,179

* The balances mainly represented miscellaneous advances received from students for purchasing uniforms and textbooks on their behalf.

The above balances are unsecured and non-interest-bearing. The carrying amounts of other payables and accruals as at the end of the reporting period approximated to their fair values due to their short term maturities.

25. CONTRACT LIABILITIES

Contract liabilities

Details of contract liabilities as at 31 December 2020, 31 December 2019 and 1 January 2019 are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000	1 January 2019 RMB'000
Tuition fees	90,775	78,253	55,861
Boarding fees	10,637	9,786	6,725
Others	7,083	5,257	9,051
Total contract liabilities	108,495	93,296	71,637

Contract liabilities include short-term advances received from students in relation to the proportionate service not yet provided. The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year or each tutorial program. Tuition and boarding fees are recognised proportionately over the relevant period of the respective program. The increase in contract liabilities in 2020 and 2019 was mainly due to the increase in short-term advances received from customers in relation to the provision of education services at the end of the year.

31 December 2020

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2020			2019		
	Notes	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current							
Short term bank loan – secured	*(i)*	–	–	–	4.35	2020	70,000
Short term bank loan – unsecured	*(ii)*	5.3%-12.6%	2021	139,416	HIBOR + 2.7–8.27	2020	58,082
Current portion of long term bank loan – secured	*(iii)*	1.51%-4.30%	2021	510	–	–	–
Current portion of other borrowing – secured	*(iv)*	6.20%	2021	4,000	6.20	2020	11,000
				143,926			139,082
Non-current							
Long term bank loan – secured	*(iii)*	1.51%-4.30%	2022/2027	70,035	–	–	–
Other borrowing – secured	*(iv)*	–	–	–	6.20	2021	4,000
				70,035			4,000
				213,961			143,082

	2020 RMB'000	2019 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	139,926	128,082
In the second year	69,512	–
In the third to fifth years, inclusive	523	–
	209,961	128,082
Other borrowing repayable:		
Within one year or on demand	4,000	11,000
In the second year	–	4,000
	4,000	15,000
	213,961	143,082

31 December 2020

26. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Other borrowing of the Group represented a borrowing obtained from an independent financial institution.

Details of guarantees and/or securities provided by the Group and its related parties or third parties in connection with certain bank and other borrowings obtained by the Group are as follows:

(i) As at 31 December 2019, a bank borrowing of RMB70,000,000 was secured by the Group's term deposits amounting to RMB73,500,000.

(ii) As at 31 December 2020, a bank borrowing of RMB10,000,000 was guaranteed by Hebei Zerui Education and Li Yunong, with the pledge of the charging rights of eight kindergartens, including Blue Crystal, Zhengding, Fukang, Qinghui, Tianshan, Jianhua, Lidu and Fumenli.

As at 31 December 2020, a bank borrowing of RMB20,000,000 was guaranteed by Li Yunong.

As at 31 December 2020, a bank borrowing of RMB13,000,000 was guaranteed by an independent financing guarantee company.

As at 31 December 2020, bank borrowings of HK$114,558,000 (equivalent to RMB96,416,000) were unsecured. As at 31 December 2019, bank borrowings of HK$28,000,000 (equivalent to RMB25,082,000) were unsecured.

As at 31 December 2019, a bank borrowing of RMB20,000,000 was guaranteed by an independent financing guarantee company. Pursuant to the relevant guarantee agreement with the independent financing guarantee company, a counter guarantee arrangement was required comprising a) a guarantee provided by Lionful Education; and b) a property owned by Lionful Education.

As at 31 December 2019, a bank borrowing of RMB13,000,000 was guaranteed by an independent financing guarantee company. Pursuant to the relevant guarantee agreement with the independent financing guarantee company, a counter guarantee arrangement was required comprising a guarantee provided by Hebei Saintach.

(iii) As at 31 December 2020, a bank borrowing of USD114,000 (equivalent to RMB745,000) is secured by a director's life insurance policy (note 18(iii)).

As at 31 December 2020, a bank borrowing of RMB69,800,000.00 was secured by the Group's term deposits amounting to RMB187,000,000.

(iv) As at 31 December 2020, other borrowing of RMB4,000,000 (31 December 2019: RMB15,000,000) was secured by the Group's pledged deposits amounting to RMB1,000,000 and guaranteed by Sheng Dao Xiang Cheng and Zerui Education.

31 December 2020

27. DEFERRED TAX LIABILITIES

	2020 Fair value adjustments arising from acquisition of subsidiaries RMB'000
At 1 January 2020	981
Acquisition of subsidiaries *(note 31)*	668
Deferred tax credited to profit or loss during the year *(note 10)*	(127)
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2020	1,522

	2019 Fair value adjustments arising from acquisition of a subsidiary RMB'000
At 1 January 2019	167
Acquisition of subsidiaries (note 31)	885
Deferred tax credited to profit or loss during the year *(note 10)*	(71)
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2019	981

28. SHARE CAPITAL

	2020 RMB'000	2019 RMB'000
Authorised:		
3,000,000,000 ordinary shares of HK$0.01 each as at 31 December 2020	25,293	25,293
Issued and fully paid:		
1,167,216,000 (2019: 1,220,541,000)	9,801	10,286

31 December 2020

28. SHARE CAPITAL (CONTINUED)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital RMB'000
At 1 January 2019	1,224,798,000	10,323
Shares repurchased *(note)*	(4,257,000)	(37)
At 31 December 2019 and 1 January 2020	1,220,541,000	10,286
Shares repurchased *(note)*	(53,325,000)	(485)
At 31 December 2020	1,167,216,000	9,801

Note: During the year, the Company repurchased 40,653,000 (2019: 12,672,000) of its shares on the Stock Exchange and the board of the Company authorised an independent trustee to repurchase 27,999,000 (2019: nil) of its shares on the Stock Exchange for the restricted share unit scheme. Upon completion of the repurchase, the number of the then total repurchased shares was 81,324,000 (2019: 16,929,000), out of which 53,325,000 (2019: 4,257,000) were subsequently cancelled and the remaining 27,999,000 (2019: 12,672,000) repurchased shares were presented as treasury shares amounting to RMB237,000 as at 31 December 2020 (2019: RMB114,000).

Share-based payment

Details of the Company's share option scheme and RSU Scheme are included in note 29 to the financial statements.

29. SHARE-BASED PAYMENT

(a) Share option scheme

The Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme became effective on 4 May 2018 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Share options granted to a director or chief executive of the Company are subject to approval in advance by the independent non-executive directors.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (1) the nominal value of the share, (2) the Stock Exchange closing price of the Company's shares on the date of grant of the share options; and (3) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of grant.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

31 December 2020

29. SHARE-BASED PAYMENT (CONTINUED)

(a) Share option scheme (continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are set out below:

	2020		2019	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share per share	Number of options '000
At 1 January	0.964	5,190	0.964	5,190
Granted during the year	0.630	15,837	–	–
Cancelled during the year	0.964	(5,190)	–	–
At 31 December	0.630	15,837	0.964	5,190

No share options were exercised during the year.

31 December 2020

29. SHARE-BASED PAYMENT (CONTINUED)

(a) Share option scheme (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

31 December 2020 Number of options ’000	31 December 2019 Number of options ’000	Exercise price HK$ per share	Exercise period
4,751	–	0.630	5 November 2021 to 4 November 2030
4,751	–	0.630	5 November 2022 to 4 November 2030
6,335	–	0.630	5 November 2023 to 4 November 2030
–	1,557	0.964	11 October 2019 to 10 October 2023
–	1,557	0.964	11 October 2020 to 10 October 2023
–	2,076	0.964	11 October 2021 to 10 October 2023
15,837	5,190		

The fair value of the share options granted during the year was RMB3,070,000, equivalent to HK$3,559,000 (2019: nil), and the Group recognised an equity-settled compensation expense of RMB270,000 (2019: RMB1,059,000) during the year ended 31 December 2020. Due to the cancellation of the 2018 Scheme, the Group recognised all the remaining share option expense of the 2018 Scheme of RMB449,000 during the year ended 31 December 2020.

31 December 2020

29. SHARE-BASED PAYMENT (CONTINUED)

(a) Share option scheme (continued)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using the popular binomial tree model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2020
Dividend yield (%)	3.31
Volatility (%)	50.45
Risk-free interest rate (%)	0.11
Exit rate (%)	14.00-19.00
Exercise multiple	2.20-2.80
Expected life of options (year)	10
Weighted average share price (HK$ per share)	0.22-0.23

	2019
Dividend yield (%)	–
Volatility (%)	64.49
Risk-free interest rate (%)	2.53
Exit rate (%)	0.91
Exercise multiple	2.80
Expected life of options (year)	5
Weighted average share price (HK$ per share)	0.88

The volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the options granted was incorporated into the measurement of fair value.

(b) Restricted Share Unit Scheme

The Company adopted a share award plan (the “Plan”) for the purpose of recognising and rewarding the contribution of eligible participants to the growth and development of the Group, to give incentives to eligible participants in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. The Plan became effective on 14 October 2020 (the “Adoption Date”) and shall be valid and effective for a period of 10 years commencing from the Adoption Date but may be terminated earlier as determined by the Board.

31 December 2020

29. SHARE-BASED PAYMENT (CONTINUED)

(b) Restricted Share Unit Scheme (continued)

Pursuant to rules of the Plan, the Plan shall be subject to the administration of the Board and an independent trustee in accordance with the terms of the Plan and the terms of the trust deed. The trustee shall hold the trust fund in accordance with the terms of the trust deed. The trustee may purchase the shares on the Stock Exchange at the prevailing market price (subject to such maximum price as may be from time to time prescribed by the Board), or off the market. In the event that the trustee effects any purchases by off-market transactions, the purchase price for such purchases shall not be higher than the lower of the following: (i) the closing market price on the date of such purchase, and (ii) the average closing market price for the five preceding trading days on which the shares were traded on the Stock Exchange.

The maximum number of shares to be subscribed for and/or purchased by the trustee by applying the Group contribution for the purpose of the Plan shall not exceed 10% of the total number of issued shares as at the Adoption Date. The Board shall not instruct the Trustee to subscribe for and/or purchase any shares for the purpose of the Plan when such subscription and/or purchase will result in such threshold being exceeded. The maximum number of shares which may be subject to an award or awards to a selected participant shall not in aggregate exceed 1% of the issued share capital of the Company as at the Adoption Date.

On 29 December 2020, the Board resolved to approve the initial grant of the restricted share units ("RSUs") under the Plan to the eligible participants, pursuant to which RSUs of 27,720,000, representing approximately 2.37% of the issued share capital of the Company as at 29 December 2020, shall be granted to 32 selected eligible participants on 29 December 2020. The exercise price under the initial grant is HK$0.243 per RSU. The exercise price shall be funded by the selected eligible participants at his/her own cost, and the remaining balance for purchasing each of the RSUs under the initial grant will be funded by the Company.

The movements of the Company's shares held for the RSU Scheme during the year ended 31 December 2020 is as follows:

	Note	Number of shares	Amount RMB'000
1 January 2020		–	–
Repurchase of shares held for the RSU Scheme *(Note)*	*(i)*	27,999,000	18,051
As at 31 December 2020		27,999,000	18,051

Note: During the year ended 31 December 2020, 27,999,000 ordinary shares of the Company on the Stock Exchange were repurchased.

31 December 2020

29. SHARE-BASED PAYMENT (CONTINUED)

(b) Restricted Share Unit Scheme (continued)

A summary of the particulars of the RSUs granted under the Plan during the year is as follows:

Date of grant	Number of outstanding RSUs granted as at 31 December 2019	Shares newly granted during the year	Fair value	Exercise price per share	Vesting date	Number of outstanding RSUs granted as at 31 December 2020
	'000	'000	RMB'000	HK$		'000
29 December 2020	–	8,316	3,582	0.243	29 December 2021	8,316
29 December 2020	–	8,316	3,582	0.243	29 December 2022	8,316
29 December 2020	–	11,088	4,776	0.243	29 December 2023	11,088
	–	27,720	11,940			27,720

The fair value of the RSUs granted during the year was RMB11,940,000, equivalent to HK$14,145,000 (HK$0.513 each) (2019: nil), of which the Group recognised an equity-settled compensation expense of RMB38,000 (2019: nil) during the year ended 31 December 2020.

The fair value of RSUs granted during the year was estimated as at the date of grant. According to IFRS 2, market vesting conditions shall not be taken into account when estimating the fair value of the option, so the fair value of RSUs was estimated using the stock price of the granted date minus the exercise price. No other feature of the options granted was incorporated into the measurement of fair value.

30. 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 on pages 11 to 12 of the financial statements.

Share premium

Share premium can be distributed provided that immediately following the date on which such reserves are proposed to be distributed, the Company would be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Capital reserve

The capital reserve of the Group represents the capital contribution from the then investors or school sponsors of the PRC Operating Entities.

31 December 2020

30. RESERVES (CONTINUED)

Capital redemption reserve

Capital redemption reserve arises from repurchase of its own ordinary shares on the Stock Exchange. When the repurchased shares are cancelled by the Company, the issued share capital of the Company is reduced by the nominal value of these shares. The premium paid on the repurchase is charged to the share premium.

Statutory surplus reserve

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 subsidiaries in the PRC. These reserves include (i) the general reserve of the limited liability companies; and (ii) the development fund of schools.

(i) In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve can 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 reasonable returns, they are required to appropriate to the development fund not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

Other reserve

Other reserve mainly represents the difference between the cost of acquisition and the non-controlling interests acquired in the case of acquisition of additional non-controlling interests of subsidiaries.

31 December 2020

31. BUSINESS COMBINATIONS

Year ended 31 December 2020

On 20 January 2020, Xin Tian Di Xian, a subsidiary of the Group, acquired 100% of equity interests of Zhe Han for a consideration of RMB50,000 and on 21 December 2020, Hebei Saintach, a subsidiary of the Group, acquired 100% of equity interests of Aidiou Education for a total consideration of RMB27,840,000. Zhe Han and Aidiou Education have been accounted for as subsidiaries of the Group since the acquisition date. The acquisitions were made as part of the Group's strategy to expand its presence with market of kindergarten education.

The fair values of the identifiable assets and liabilities of Zhe Han and Aidiou Education as at the date of acquisition were as follows:

		Fair value recognised on acquisition		
	Notes	Aidiou Education RMB'000	Zhe Han RMB'000	Total RMB'000
Property, plant and equipment	*13*	51	–	51
Other intangible assets	*16*	2,670	–	2,670
Trade receivables		5	–	5
Prepayments, other receivables and other assets		607	53	660
Cash and bank balances		6,435	202	6,637
Trade payables		(416)	(9)	(425)
Other payables and accruals		(1,199)	(416)	(1,615)
Tax payable		(261)	–	(261)
Deferred tax liability	*27*	(668)	–	(668)
Total identifiable net assets at fair value		7,224	(170)	7,054
Goodwill on acquisition	*15*	20,616	220	20,836
Total purchase consideration		27,840	50	27,890
– Cash paid		22,272	50	22,322
– Cash payable		5,568	–	5,568

None of the goodwill recognised is expected to be deductible for income tax purposes.

31 December 2020

31. BUSINESS COMBINATIONS (CONTINUED)

Year ended 31 December 2020 (continued)

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	Aidiou Education RMB'000	Zhe Han RMB'000	Total RMB'000
Cash consideration paid	(22,272)	(50)	(22,322)
Cash and bank balances acquired	6,435	202	6,637
Net outflow of cash and cash balances included in cash flows from investing activities	(15,837)	152	(15,685)

Since the acquisition, Zhe Han contributed RMB839,000 to the Group's revenue and RMB101,000 to the consolidated profit for the year ended 31 December 2020. As the acquisition of Aidiou Education occurred at a time approaching the year end, its contribution to the Group's revenue and net profit was insignificant.

Had the acquisitions taken place at the beginning of the year, revenue and the net profit of the Group for the year ended 31 December 2020 would have been approximately RMB259,000,000 and RMB81,000,000, respectively.

Year ended 31 December 2019

(a) ***Hangzhou Yimai***

On 6 September 2019, Shijiazhuang Saintach, a subsidiary of the Group, entered into equity transfer agreements with Ningbo Xuenuo Enterprise Management Co., Ltd. ("Ningbo Xuenuo") and Hebei Zhiqirui Education Technology Co., Ltd. ("Hebei Zhiqirui") to acquire 70% of equity interests for a total consideration of RMB14,000,000.

Hangzhou Yimai is a limited liability company established in the PRC on 16 May 2018. Hangzhou Yimai has training schools in Zhejiang Province, which mainly provide services to students in primary schools, middle schools and high schools, including customised tutoring, training for independent college admission examinations and college entrance examination voluntary choice services.

The handover was completed on 25 September 2019. Upon completion of the acquisition, Hangzhou Yimai has become a subsidiary of the Group and has been held as to 70% by Shijiazhuang Saintach and as to 30% by Ningbo Xuenuo, respectively.

31 December 2020

31. BUSINESS COMBINATIONS (CONTINUED)

Year ended 31 December 2019 (continued)

(a) Hangzhou Yimai (continued)

The fair values of the identifiable assets and liabilities of Hangzhou Yimai as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	*13*	22
Other intangible assets	*16*	4,100
Prepayments, other receivables and other assets		1,442
Right-of-use assets	*14(a)*	3,117
Cash and bank balances		2,981
Other payables and accruals		(7,265)
Tax payable		(359)
Deferred tax liability	*27*	(205)
Lease liabilities	*14(b)*	(3,117)
Total identifiable net assets at fair value		716
Non-controlling interests		(215)
Goodwill on acquisition	*15*	13,417
Total purchase consideration		13,918
– Cash paid		12,100
– Cash payable		1,818

None of the goodwill recognised is expected to be deductible for income tax purposes.

31 December 2020

31. BUSINESS COMBINATIONS (CONTINUED)

Year ended 31 December 2019 (continued)

(a) Hangzhou Yimai (continued)

An analysis of the cash flows in respect of the acquisition of Hangzhou Yimai is as follows:

	RMB'000
Cash consideration paid	(12,100)
Cash and bank balances acquired	2,981
Net outflow of cash and cash balances included in cash flows from investing activities	(9,119)

Since the acquisition, Hangzhou Yimai contributed RMB3,928,000 to the Group's revenue and RMB646,000 to the consolidated profit for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB245,900,000 and RMB85,600,000 respectively.

(b) Zhejiang Peijian

On 5 September 2019, Zerui Education, a subsidiary of the Group, entered into an equity transfer agreement with, among others, Zhejiang Peijian and the five individual shareholders of Zhejiang Peijian (the "Peijian Individual Shareholders") in the PRC, pursuant to which Zerui Education agreed to acquire and the Peijian Individual Shareholders agreed to sell a total of 51% equity interests in Zhejiang Peijian.

Zhejiang Peijian is a limited liability company established in the PRC on 29 December 2017. Zhejiang Peijian has training schools in Zhejiang Province as well as nationwide, which mainly provide services to middle and high school students, including training for academic competitions, subject improvement tutoring, training for independent college admission examinations and "three-in-one" training.

Pursuant to the clause related to performance guarantee in the equity transfer agreement, 2019-2022 is the performance guarantee period for the Peijian Individual Shareholders, and the transaction consideration will be paid in four stages, with the consideration of each period calculated based on the operating results of Zhejiang Peijian's performance according to the formula agreed in the equity transfer agreement.

31 December 2020

31. BUSINESS COMBINATIONS (CONTINUED)

Year ended 31 December 2019 (continued)

(b) Zhejiang Peijian (continued)

The consideration for the Zhejiang Peijian Acquisition was satisfied by the Group as follows:

– RMB6,130,000 in cash;

– contingent consideration payable of RMB17,332,000 arising from the performance guarantee, which is disclosed under other non-current liabilities in the financial statements.

The handover was completed on 22 November 2019. Upon completion of the acquisition, Zhejiang Peijian has become a subsidiary of the Group and has been held as to 51% by Zerui Education and as to 49% in total by the Peijian Individual Shareholders, respectively.

The fair values of the identifiable assets and liabilities of Zhejiang Peijian as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	*13*	1,634
Other intangible assets	*16*	13,600
Trade receivables		1,776
Prepayments, other receivables and other assets		1,366
Right-of-use assets	*14(a)*	5,233
Cash and bank balances		888
Trade payables		(898)
Other payables and accruals		(4,275)
Tax payable		(21)
Deferred tax liability	*27*	(680)
Lease liabilities	*14(b)*	(5,233)
Total identifiable net assets at fair value		13,390
Non-controlling interests		(6,561)
Goodwill on acquisition	*15*	16,633
Total purchase consideration		23,462
– Cash paid		6,130
– Contingent consideration payable		17,332

None of the goodwill recognised is expected to be deductible for income tax purposes.

31 December 2020

31. BUSINESS COMBINATION (CONTINUED)

Year ended 31 December 2019 (continued)

(b) Zhejiang Peijian (continued)

An analysis of the cash flows in respect of the acquisition of Zhejiang Peijian is as follows:

	RMB'000
Cash consideration paid	(6,130)
Cash and bank balances acquired	888
Net outflow of cash and cash balances included in cash flows from investing activities	(5,242)

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the leases relative to market terms.

The contingent consideration was determined using the discounted cash flow model and is within Level 3 fair value measurement. The consideration is due for final measurement and payment to the former shareholders on the next four years. At the date of approval of these financial statements, no further significant changes to the consideration are expected.

Significant unobservable valuation inputs for the fair value measurement of contingent consideration and the sensitivity analysis are set out in note 37 to the financial statements.

The Group incurred transaction costs of RMB233,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in profit or loss.

Since the acquisition, Zhejiang Peijian contributed RMB2,849,000 to the Group's revenue and RMB92,000 to the consolidated profit for the year ended 31 December 2019.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB279,500,000 and RMB86,200,000 respectively.

31 December 2020

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB7,421,000 (2019: RMB6,688,000) and RMB7,421,000 (2019: RMB6,688,000), respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

2020

	Interest payables included in other payables and accruals RMB'000	Interest-bearing bank and other borrowings RMB'000	Accrued listing expenses included in other payables and accruals RMB'000	Lease liabilities RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2020	251	143,082	–	66,694	210,027
Changes from financing cash flows	(9,579)	70,879		(18,841)	42,459
New lease	–	–	–	7,421	7,421
Interest expense	9,579	–	–	2,636	12,215
Covid-19-related rent concessions from lessors	–	–	–	(1,190)	(1,190)
Reassessment and revision of lease terms	–	–	–	(17,567)	(17,567)
At 31 December 2020	251	213,961	–	39,153	253,365

2019

	Interest payables included in other payables and accruals RMB'000	Interest-bearing bank and other borrowings RMB'000	Accrued listing expenses included in other payables and accruals RMB'000	Lease liabilities RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2019	27	13,000	2,500	65,533	81,060
Changes from financing cash flows	(5,363)	130,082	(2,500)	(16,494)	105,725
New lease	–	–	–	6,688	6,688
Interest expense	5,587	–	–	2,617	8,204
Increase arising from acquisition of subsidiaries	–	–	–	8,350	8,350
At 31 December 2019	251	143,082	–	66,694	210,027

31 December 2020

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000
Within operating activities	1,824	2,890
Within financing activities	18,841	16,494
	20,665	19,384

33. CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any significant contingent liabilities (2019: Nil).

34. 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:		
Buildings	87,973	–

31 December 2020

35. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship of related parties

Name	Relationship
Mr. Li Yunong	Chairman, one of the controlling shareholders of the Group, and son-in-law of Ms. Luo Xinlan
Ms. Luo Xinlan	One of the controlling shareholders of the Group, and mother-in-law of Mr. Li Yunong
Lionful Investment Holding Co., Ltd.* ("Lionful Investment Holding")	A company controlled by the controlling shareholders
Lionful Education	A company controlled by the controlling shareholders
河北安信聯行物業服務有限公司石家莊分公司 Hebei Ansince Property Management Co., Ltd. Shijiazhuang Branch* ("Hebei Ansince Shijiazhuang Branch")	A company controlled by Mr. Li Yunong
寧波天作工程項目管理有限公司 Ningbo Tianzuo Project Management Co., Ltd.* ("Ningbo Tianzuo")	A company controlled by Mr. Li Yunong
河北友聯恒美智能工程有限公司 Hebei Youlian Hengmei Intelligent Engineering Co.,Ltd* ("Youlian Hengmei")	A company controlled by Hebei Ansince Shijiazhuang Branch
邯鄲市美家優寶教育諮詢有限公司 Handan Meijia Youbao Education Consulting Co., Ltd.* ("Meijia Youbao")	A company significantly influenced by Mr. Li Yunong

* The English names of the companies stated above in this note represent the best effort made by the directors to translate the Chinese names as those companies have not been registered with any official English names.

(b) Outstanding balances with related parties

Amount advanced to a related party

	2020 RMB'000	2019 RMB'000
Lionful Education	78,750	–

As at 31 December 2020, the amount advanced to Lionful Education is the prepayment for acquisition of long term assets of student apartments and a land use right.

31 December 2020

35. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Outstanding balances with related parties (continued)

Amounts due from related parties

	2020 RMB'000	2019 RMB'000
Lionful Education	4,683	2,638
Meijia Youbao	500	–
	5,183	2,638

As at 31 December 2020 and 2019, the amount due from Lionful Education represented a service fee receivable arising from the provision of college operation services.

As at 31 December 2020, the amount due from Meijia Youbao represented a service fee receivable arising from the provision of kindergarten consulting and management services. In the opinion of the directors, the amounts due are trade in nature and would be settled according to the term agreed mutually in the normal course of business.

The Group evaluated the expected loss rate for related parties by considering the default rates and adjusting for forward-looking macroeconomic data. The expected credit losses were considered as insignificant as at the end of the reporting period.

Amounts due to related parties

	2020 RMB'000	2019 RMB'000
Ningbo Tianzuo	198	1,142
Youlian Hengmei	77	–
	275	1,142

As at 31 December 2020 and 2019, the amount due to related parties represented a service fee payable for the construction and repair of certain properties of Shijiazhuang Institute of Technology. In the opinion of the directors, the amounts due are trade in nature and would be settled according to the term agreed in the contract.

31 December 2020

35. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Transactions with related parties

Purchases of services and leases of assets from related parties

	Notes	2020 RMB'000	2019 RMB'000
Lionful Education	*(i)*	**5,500**	5,500
Hebei Ansince Shijiazhuang Branch	*(ii)*	**164**	492
Ningbo Tianzuo	*(iii)*	**–**	4,549
Youlian Hengmei	*(iv)*	**1,222**	–
		6,886	10,541

Notes:

(i) A lease agreement was entered into between the Group and Lionful Education on 4 May 2018, pursuant to which properties owned by Lionful Education that were used as the Group's library, student dormitory, infirmary and a training center were leased at an annual rate of RMB5,500,000.

(ii) Details of the property rentals paid to and fee paid for property management services provided by Hebei Ansince Shijiazhuang Branch are set out as follows:

	2020 RMB'000	2019 RMB'000
Property rentals	**–**	264
Property management services	**164**	228
	164	492

Hebei Ansince Shijiazhuang Branch provides property management services to Blue Crystal and Qinghui. Service charges were based on prices mutually agreed between the Group and Hebei Ansince Shijiazhuang Branch. In 2020, Blue Crystal and Qinghui were converted into kindergartens under public inclusivity system, and the rental fee was then paid by the government instead of by the Group.

(iii) Two construction service contracts were entered into between Shijiazhuang Institute of Technology and Ningbo Tianzuo on 24 January 2019 and 27 November 2019 respectively, under which Ningbo Tianzuo provided certain maintenance services to Shijiazhuang Institute of Technology.

(iv) Certain decoration and maintenance service contracts were entered into between Shijiazhuang Institute of Technology and Youlian Hengmei, under which Youlian Hengmei decorated and repaired certain properties of Shijiazhuang Institute of Technology.

31 December 2020

35. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Others

(1) During the year, the Group has provided college operation services to Lionful Education in connection with the operation of the West Campus of 石家莊鐵道大學四方學院 (Shijiazhuang Tiedao University Sifang College) ("Sifang"). Lionful Education has been jointly operating the West Campus of Sifang College with 石家莊鐵道大學 ("Shijiazhuang Tiedao University") ("Tiedao University").

Details of the college operation service income received from Lionful Education for each of the year are as follows:

	2020 RMB'000	2019 RMB'000
College operation service income	19,506	17,862

(2) Other than the college operation service stated above, under the relevant agreements, Shijiazhuang Institute of Technology is responsible for providing the accommodation services to the students enrolled by the West Campus of Sifang College. Accommodation service fees are collected directly from the students and are recognised as income for the year as follows:

	2020 RMB'000	2019 RMB'000
Student accommodation service income^^	1,348	2,067

^^ included as part of the college operation service income of the Group as disclosed in note 5 to the financial statements.

(3) In addition, during the year, Xin Tian Di Xian provides technical support service to Lionful Education.

Details of the technical support service income received from Lionful Education are as follows:

	2020 RMB'000	2019 RMB'000
Technical service	287	–

31 December 2020

35. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Others (continued)

(4) During the year, Hebei Saintach provides kindergarten consulting and management services to Meijia Youbao.

Details of provides kindergarten consulting and management service from Hebei Saintach are as follows:

	2020 RMB'000	2019 RMB'000
kindergarten consulting and management service	500	–

(5) During the year, certain trademarks owned by Lionful Investment Holding were used by the Group free of charge.

(6) During the year, certain bank borrowings of the PRC Operating Entities are guaranteed and secured by Lionful Education and Mr. Li Yunong. Details of this transaction are disclosed in note 26 to the financial statements.

(e) Compensation of key management personnel of the Group:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	943	898
Pension scheme contributions	198	143
Equity-settled compensation expense	206	208
	1,347	1,249

Details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

31 December 2020

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as the end of the reporting period are as follows:

2020

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such RMB'000	Equity investment RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	–	5,619	5,619
Amount due from related parties	–	–	83,933	83,933
Financial assets included in prepayments, other receivables and other assets	–	–	18,745	18,745
Financial assets at fair value through profit or loss	40,893	–	–	40,893
Other non-current assets	–	–	65,334	65,334
Cash and bank balances	–	–	357,700	357,700
Term deposits	–	–	40,000	40,000
Pledged deposits	–	–	187,000	187,000
	40,893	–	758,331	799,224

Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Other current liabilities	5,598	–	5,598
Other non-current liabilities	12,366	–	12,366
Financial liabilities included in other payables and accruals	–	60,119	60,119
Amounts due to related parties	–	275	275
Interest-bearing bank and other borrowings	–	213,961	213,961
	17,964	274,355	292,319

31 December 2020

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2019

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such RMB'000	Equity investment RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investment designated at fair value through other comprehensive income	–	180	–	180
Trade receivables	–	–	2,683	2,683
Amount due from a related party	–	–	2,638	2,638
Financial assets included in prepayments, other receivables and other assets	–	–	116,597	116,597
Financial assets at fair value through profit or loss	37,888	–	–	37,888
Other non-current assets	–	–	60,187	60,187
Cash and bank balances	–	–	258,613	258,613
Term deposits	–	–	70,000	70,000
Pledged deposits	–	–	178,500	178,500
	37,888	180	689,218	727,286

31 December 2020

36. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2019 (continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Other non-current liabilities	17,332	–	17,332
Financial liabilities included in other payables and accruals	–	44,208	44,208
Amount due to a related party	–	1,142	1,142
Interest-bearing bank and other borrowings	–	143,082	143,082
	17,332	188,432	205,764

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Financial assets				
Equity investment designated at fair value through other comprehensive income	**–**	180	**–**	180
Financial assets at fair value through profit or loss	**40,893**	37,888	**40,893**	37,888
Other non-current assets	**65,334**	60,187	**65,334**	60,187
	106,227	98,255	**106,227**	98,255
Financial liabilities				
Other current liabilities	**5,598**	–	**5,598**	–
Other non-current liabilities	**12,366**	17,332	**12,366**	17,332
Interest-bearing bank and other borrowings – non current	**70,035**	4,000	**70,035**	4,000
	87,999	21,332	**87,999**	21,332

31 December 2020

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Management has assessed that the fair values of cash and bank balances, term deposits, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, financial assets at fair value through profit or loss, amounts due from/to related parties, financial liabilities included in other payables and accruals, the current portion of the interest-bearing bank and other borrowings, and the other current liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of other non-current assets and the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2020 were assessed to be insignificant.

For the fair value of the unlisted equity investment at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

The Group invests in an unlisted investment, which is a convertible bond through a capital management fund. The Group has estimated the fair value of that unlisted investment by using two valuation models: a) the binomial tree valuation model, in which the bond portion is discounted with the risk discount rate, which is the sum of the risk-free rate and the credit spread of the issuer, and the equity portion is discounted with the risk-free rate; and b) the discounted cash flow valuation model, which is based on the market interest rates of instruments with similar terms and risks.

The Group has estimated the fair value of contingent consideration payable for business combination included in other current liabilities and other non-current liabilities by using the discounted cash flow valuation model, which is based on the market interest rates of instruments with similar terms and risks.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020:

	Valuation technique	**Significant unobservable input**	**Range**	**Sensitivity of fair value to the input**
Financial assets at fair value through profit or loss	Discounted cash flow method	Discount rate	6.10%	1% increase/decrease in discount rate would result in decrease/ increase in fair value by RMB341,526/ RMB332,964
	Binomial tree model	Discount rate	6.70%	1% increase/decrease in discount rate would result in decrease/ increase in fair value by RMB98,667/ RMB99,672
Financial liabilities at fair value through profit or loss	Discounted cash flow method	Discount rate	6.03%	1% increase/decrease in discount rate would result in decrease/ increase in fair value by RMB222,451/ RMB228,345

31 December 2020

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

The fair value of the insurance at fair value through profit or loss is categorised within Level 3 of the fair value hierarchy which is measured based on significant unobservable inputs and has been estimated based on the surrender value of the policy as disclosed in note 18 to the financial statements. The fair value of the insurance policy is mainly affected by its surrender value as the directors expected the other unobservable inputs such as insurance risk would not have a significant impact on the fair value of the insurance policy. The surrender value of the insurance policy was obtained from the insurance company without any adjustment. The directors believe that the estimated fair value and the related changes in fair values are reasonable, and that they were the most appropriate values at the end of the reporting period.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	4,646	–	36,247	40,893
Consideration payable for business combination included in other current liabilities other non-current liabilities	–	–	17,964	17,964
Interest-bearing bank and other borrowings	–	213,961	–	213,961
	4,646	213,961	54,211	272,818

31 December 2020

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Equity investment designated at fair value through other comprehensive income	–	–	180	180
Financial assets at fair value through profit or loss	–	–	37,888	37,888
Consideration payable for business combination included in other non-current liabilities	–	–	17,332	17,332
Interest-bearing bank and other borrowings	–	143,082	–	143,082
	–	143,082	55,400	198,482

31 December 2020

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2020 RMB'000	2019 RMB'000
Equity investment at fair value through other comprehensive income:		
At 1 January	180	–
Purchases	–	2,000
Total losses recognised in other comprehensive income	(180)	(1,820)
At 31 December	–	180

	2020 RMB'000	2019 RMB'000
Financial assets at fair value through profit or loss:		
At 1 January	37,888	–
Purchases	5,282	37,648
Total gains recognised in the profit or loss included in other income	342	236
Exchange reserve	(2,619)	4
At 31 December	40,893	37,888

	2020 RMB'000	2019 RMB'000
Consideration payable for business combination included in other current liabilities and other non-current liabilities:		
At 1 January	17,332	–
Addition	–	17,332
Satisfied by cash	(179)	–
Total loss recognised in the consolidated statement of profit or loss included in other income	811	–
At 31 December	17,964	17,332

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

31 December 2020

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings and cash and bank balances. The Group has various other financial assets and liabilities such as amounts due from/to a related party, trade receivables, deposits and other receivables and other payables and accruals, which arise directly from its operations.

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.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

As at 31 December 2020, approximately 4% of the Group's borrowings bore floating rates (31 December 2019:19%).

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

Year ended 31 December 2020	**Increase/(decrease) in basis points**	**Increase/(decrease) in profit before tax and equity RMB'000**
Hong Kong Dollar	**50**	**42**
Hong Kong Dollar	**(50)**	**(42)**

Year ended 31 December 2019	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax and equity RMB'000
Hong Kong Dollar	50	125
Hong Kong Dollar	(50)	(125)

In the opinion of the directors, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure as at the end of each of the year did not reflect the exposure during the year.

31 December 2020

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

It is the Group's policy that all schools with which the Group has cooperation and students who wish to receive the Group's services on credit terms are subject to credit verification procedures. In addition, receivable balances are monitoring on an ongoing basis and the Group's exposure to bad debt is not significant.

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

Since the Group only provides services to recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty or by service nature. There are no significant concentrations of credit risk regarding the trade receivables of the Group.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	As at 31 December 2020				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Other current liabilities	–	5,598	–	5,598	5,598
Other non-current liabilities	–	–	12,366	12,366	12,366
Financial liabilities included in other payables and accruals	–	60,119	–	60,119	60,119
Amounts due to related parties	275	–	–	275	275
Lease liabilities	–	15,616	30,252	45,868	39,153
Interest-bearing bank and other borrowings	–	154,626	70,716	225,342	213,961
	275	235,959	113,334	349,568	331,472

31 December 2020

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

	As at 31 December 2019				
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Other non-current liabilities	–	1,907	15,425	17,332	17,332
Financial liabilities included in other payables and accruals	–	44,208	–	44,208	44,208
Amounts due to a related party	1,142	–	–	1,142	1,142
Lease liabilities	–	18,711	56,729	75,440	66,694
Interest-bearing bank and other borrowings	–	142,641	4,077	146,718	143,082
	1,142	207,467	76,231	284,840	272,458

Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business.

The directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debt. The Group's overall strategy remained unchanged during the years ended 31 December 2020 and 2019.

The Group monitors capital using a debt-to-asset ratio, which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of the reporting periods were as follows:

	2020 RMB'000	2019 RMB'000
Total liabilities	**473,123**	400,268
Total assets	**1,143,070**	1,072,862
Debt-to-asset ratio	**41%**	37%

31 December 2020

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Interests in subsidiaries	2,082	1,325
Financial assets at fair value through profit or loss	36,247	37,888
Other non-current assets	5,022	–
Total non-current assets	43,351	39,213
CURRENT ASSETS		
Due from subsidiaries	173,242	250,859
Prepayments, other receivables and other assets	15,302	32,582
Financial assets at fair value through profit or loss	4,646	–
Cash and bank balances	30,045	43,998
Total current assets	223,235	327,439
Total assets	266,586	366,652
CURRENT LIABILITIES		
Other payables and accruals	1,095	–
Interest-bearing bank and other borrowings	8,526	25,082
Amount due to a related party	922	981
Total current liabilities	10,543	26,063
NET CURRENT ASSETS	212,692	301,376
TOTAL ASSETS LESS CURRENT LIABILITIES	256,043	340,589
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	635	–
Total non-current liabilities	635	–
Net assets	255,408	340,589
EQUITY		
Share capital	9,800	10,285
Treasury shares	(237)	(114)
Reserves *(note)*	245,845	330,418
	255,408	340,589

31 December 2020

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital redemption reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total reserves RMB'000
Balance at 1 January 2019	320,319	98	266	(7,329)	26,073	339,427
Loss for the year	–	–	–	(9,162)	–	(9,162)
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	–	–	–	–	7,856	7,856
Total comprehensive income for the year	–	–	–	(9,162)	7,856	(1,306)
Share repurchase	(8,762)	37	–	(37)	–	(8,762)
Recognition of share-based payment expenses	–	–	1,059	–	–	1,059
At 31 December 2019 and 1 January 2020	311,557	135	1,325	(16,528)	33,929	330,418
Loss for the year	–	–	–	(3,511)	–	(3,511)
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	–	–	–	–	(17,483)	(17,483)
Total comprehensive income for the year	–	–	–	(3,511)	(17,483)	(20,994)
Final 2019 dividend declared	(23,380)	–	–	–	–	(23,380)
Share repurchase	(23,142)	485	–	(485)	–	(23,142)
Repurchase of shares under the restricted share unit scheme	(17,814)	–	–	–	–	(17,814)
Recognition of share-based payment expenses	–	–	757	–	–	757
At 31 December 2020	247,221	620	2,082	(20,524)	16,446	245,845

40. EVENTS AFTER THE REPORTING PERIOD

As at the date of this annual report, the Board has resolved to propose a final dividend of HK1.57 cents per share for the year ended 31 December 2020, which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2021.

XV. Definitions

"Board"	the board of directors of the Company
"Business Cooperation Agreements"	the business cooperation agreements dated 17 October 2017 entered into by, among others, Sheng Dao Xiang Cheng and the relevant PRC Operating Entities, as amended and/or supplemented from time to time
"Company" or "21st Century Education"	China 21st Century Education Group Limited, an exempted company incorporated in the Cayman Islands with limited liability on 20 September 2016, with its Shares listed on the Main Board of the Stock Exchange
"Director(s)"	the director(s) of the Company
"Directors' Powers of Attorney"	the school director's power of attorney executed by each of the directors of Shijiazhuang Institute of Technology, Saintach Tutorial Schools and Saintach Kindergartens in favor of Sheng Dao Xiang Cheng dated 17 October 2017
"Education Department of Hebei Province"	an integral department of the provincial government, which is responsible for the education cause in Hebei Province
"Equity Pledge Agreements"	the equity pledge agreements entered into among Sheng Dao Xiang Cheng and equity holders of the relevant PRC Operating Entities in relation to the pledge of equity interest in the relevant PRC Operating Entities, as amended and/or supplemented from time to time
"Exclusive Call Option Agreements"	the exclusive call option agreements entered into by, among others, Sheng Dao Xiang Cheng and the relevant PRC Operating Entities in relation to the exclusive call option of the equity interest and/or school sponsor's interests, as amended and/or supplemented from time to time
"Exclusive Service Agreements"	the exclusive technical service and management consultancy agreements entered into by and among Sheng Dao Xiang Cheng and the relevant PRC Operating Entities, as amended and/or supplemented from time to time
"Foreign Investment Law"	the Foreign Investment Law of the PRC* (中華人民共和國外商投資法) promulgated by the 13th National People's Congress on 15 March 2019, which became effective on 1 January 2020
"government" or "State"	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
"Group" or "we"	the Company, its subsidiaries and PRC Operating Entities from time to time
"Hangzhou Yimai"	Hangzhou Yimai Enterprise Management Consulting Co., Ltd.* (杭州一脈企業管理諮詢有限責任公司), a limited liability company established under the laws of the PRC on 16 May 2018, as to 70% was controlled by Shijiazhuang Saintach as at the date of this annual report, and one of our PRC Operating Entities

"Hebei Saintach"	Hebei Saintach Education and Technology Co., Ltd.* (河北新天際教育科技有限公司), a limited liability company established under the laws of the PRC on 17 September 2002, one of the Company's PRC Operating Entities
"Integrated Area"	also known as the Beijing-Tianjin-Hebei integrated area. Its concept was raised according to a national strategic initiative to promote the region's economic development
"Listing Date"	29 May 2018, being the date of listing of Shares 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
"Ningbo Tianzuo"	Ningbo Tianzuo Engineering Project Management Co., Ltd.* (寧波天作工程項目管理有限公司), a company established in the PRC and indirectly controlled by Mr. Li Yunong as to more than 30%
"Peijian Education" or "Zhejiang Peijian"	Zhejiang Peijian Technology Co., Ltd.* (浙江培尖科技有限公司), a limited liability company established under the laws of the PRC on 29 December 2017 and controlled by Zerui Education as to 51% as of the date of this annual report, and one of our PRC Operating Entities
"Peijian Tutorial School(s)"	Chongqing Peijian Tutorial School Limited* (重慶培尖課外培訓學校有限公司) and Hangzhou Huashi Peijian Tutorial School Limited* (杭州華石培尖培訓學校有限公司), which are the PRC Operating Entities
"PRC" or "China"	the People's Republic of China
"PRC Operating Entities"	Shijiazhuang Saintach, Hebei Saintach, Shijiazhuang Institute of Technology, Saintach Tutorial Schools and Saintach Kindergartens
"private school(s)"	schools established by social organizations or individuals outside national institutions, using non-state financial capital
"Prospectus"	the prospectus issued by the Company for the initial public offering and listing dated 15 May 2018
"Qiaoxi Tutorial School"	Shijiazhuang City Qiaoxi District Bilingual Culture Tutorial School* (石家莊市橋西區雙語文化培訓學校), a private school established under the laws of the PRC on 26 November 2013 of which the school sponsor's interest is wholly-owned by Mr. Li Yunong and one of the PRC Operating Entities
"Registered Shareholders"	the Shareholders of Zerui Education, namely Mr. Li Yunong and Ms. Luo Xinlan
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC for the time being

"Sainage Investment"	Sainage Investment Limited*(新安投資有限公司), an investment holding limited company established under the laws of the British Virgin Islands on 19 October 2016 and Sainage Investment is wholly-owned by the Company
"Saintach Kindergartens"	Shijiazhuang Qiaoxi District Blue Crystal Saintach Kindergarten* (石家莊市橋西區新天際藍水晶幼兒園), Shijiazhuang Luquan District Fukang Saintach Kindergarten* (石家莊市鹿泉區新天際福康幼兒園), Shijiazhuang Chang'an District Jianhua Saintach Kindergarten* (石家莊市長安區新天際建華幼兒園), Shijiazhuang Qiaoxi District Lidu Saintach Kindergarten* (石家莊市橋西區新天際麗都幼兒園), Shijiazhuang High-tech Industrial Development Zone Tianshan Saintach Kindergarten* (石家莊高新技術產業開發區新天際天山幼兒園), Shijiazhuang Chang'an District Qinghui Saintach Kindergarten* (石家莊市長安區新天際清暉幼兒園), Zhengding County Saintach Kindergarten* (正定縣新天際幼兒園) and Zhengding County Fumenli Saintach Kindergarten* (正定縣新天際福門里幼兒園), which are the PRC Operating Entities
"Saintach Preschool Education"	Hebei Saintach Education and Technology Co., Ltd.* (河北新天際教育科技有限公司)
"Saintach Tutorial Centers"	tutorial centers being set up in multiple operating locations which are organized by different Saintach Tutorial Schools
"Saintach Tutorial Schools"	Shijiazhuang City Qiaoxi District Bilingual Culture Tutorial School* (石家莊市橋西區雙語文化培訓學校), Shijiazhuang City Chang'an District Saintach Tutorial School* (石家莊市長安區新天際培訓學校), Shijiazhuang Yuhua District Donggang Road Saintach Tutorial School* (石家莊市裕華區東崗路新天際培訓學校), Shijiazhuang City Qiaoxi District Zhicheng Tutorial School* (石家莊市橋西區智城培訓學校), Shijiazhuang City High-tech Zone Saintach Tutorial School* (石家莊市高新區新天際培訓學校) and Shijiazhuang City Xinhua District Huixuan Education Tutorial School* (石家莊市新華區慧軒教育培訓學校), which are the PRC Operating Entities
"school sponsors"	the individual(s) or entity(ies) that funds or holds interests in an educational institution
"School Sponsors' and Directors' Rights Entrustment Agreements"	the school sponsors' and directors' rights entrustment agreements entered into among the PRC Operating Entities and the respective school sponsors and directors and Sheng Dao Xiang Cheng, as amended and/or supplemented from time to time
"School Sponsors' Powers of Attorney"	the school sponsor's power of attorney executed by each of the school sponsors, in favor of Sheng Dao Xiang Cheng, as amended and/or supplemented from time to time
"school year"	the school year for all our schools, which generally commences on 1 September of each calendar year and ends on 30 June of the next calendar year
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)

"Shareholders' Power of Attorney"	the power of attorney executed by each of the equity holders of the relevant PRC Operating Entities in favor of Sheng Dao Xiang Cheng, as amended and/or supplemented from time to time
"Shareholders' Rights Entrustment Agreements"	the shareholders' rights entrustment agreements entered into among the relevant equity holders and Sheng Dao Xiang Cheng, as amended and/or supplemented from time to time
"Sheng Dao Xiang Cheng"	Sheng Dao Xiang Cheng Education and Technology Co., Ltd.* (河北晟道象成教育科技有限公司), a wholly-foreign owned enterprise established under the laws of PRC on 14 December 2016 and a wholly-owned subsidiary of the Company
"Shijiazhuang Institute of Technology"	Shijiazhuang Institute of Technology* (石家莊理工職業學院), a junior college established under the laws of the PRC on 1 July 2003 of which school sponsors' interest are wholly-owned by Zerui Education as at the date of this annual report, and one of our PRC Operating Entities
"Shijiazhuang Saintach" or "Saintach Education"	Shijiazhuang Saintach Education and Technology Co., Ltd.* (石家莊新天際教育科技有限公司), a limited liability company established under the laws of the PRC on 13 July 2011, wholly-owned by Zerui Education as at the date of this annual report, and one of our PRC Operating Entities
"Shinedao Tutorial School(s)"	Shaoxing Shangyu Shinedao Education Tutorial School* (紹興市上虞區學鼎教育培訓學校), Zhoushan Dinghai Shinedao Education Tutorial School* (舟山市定海區學鼎教育培訓學校), Yuyao Xueneng Tutorial School Limited* (余姚學能培訓學校有限公司), Yuyao Xuedao Education Tutorial School Limited* (余姚學道教育培訓學校有限公司) and Jiashan County Shinedao Education Tutorial School Limited* (嘉善縣學鼎培訓學校有限公司), which are the PRC Operating Entities
"Sifang College"	Sifang College of Shijiazhuang Tiedao University* (石家莊鐵道大學四方學院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	collectively, the Business Cooperation Agreements, the Exclusive Service Agreements, the Exclusive Call Option Agreements, the Equity Pledge Agreements, the School Sponsors' and Directors' Rights Entrustment Agreements, the School Sponsors' Powers of Attorney, the Directors' Powers of Attorney, the Shareholders' Power of Attorney, the Shareholders' Rights Entrustment Agreements and the Spouse Undertakings, as amended and/or supplemented from time to time
"Tutoring Hour(s)"	the unit for measuring tutoring time delivered to students, typically representing a duration of 60 minutes for secondary school students and 40 minutes for primary school students

"Xin Tian Di Xian"	Beijing Xin Tian Di Xian Information and Technology Co.,Ltd.* (北京新天地線信息技術有限公司), a limited liability company established in the PRC on 6 March 2015, wholly-owned by Zerui Education as at the date of this annual report, and one of our PRC Operating Entities
"Zerui Education"	Hebei Zerui Education Technology Co., Ltd.* (河北澤瑞教育科技有限責任公司), a limited liability company established under the laws of the PRC on 12 July 2017, which was owned as to 80.625% by Mr. Li Yunong and 19.375% by Ms. Luo Xinlan as at the date of this annual report, and one of our PRC Operating Entities
"%"	per cent.

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations marked with "*", the Chinese names shall prevail.

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