中國教育集團控股有限公司

CHINA EDUCATION GROUP HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 839

To Pioneer Excellence and Innovation In Education

ANNUAL REPORT

2020/2021

Our Mission

Preparing students for success through
Excellence and Innovation in Education

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Guo *(Co-chairman)*
Mr. Xie Ketao *(Co-chairman)*
Dr. Yu Kai *(Chief Executive Officer)*
Ms. Xie Shaohua

Independent Non-Executive Directors

Dr. Gerard A. Postiglione
Dr. Rui Meng
Dr. Wu Kin Bing

AUDIT COMMITTEE

Dr. Rui Meng *(Chairman)*
Dr. Gerard A. Postiglione
Dr. Wu Kin Bing

REMUNERATION COMMITTEE

Dr. Gerard A. Postiglione *(Chairman)*
Dr. Yu Kai
Dr. Rui Meng

NOMINATION COMMITTEE

Mr. Yu Guo *(Chairman)*
Dr. Gerard A. Postiglione
Dr. Wu Kin Bing

COMPANY SECRETARY

Mr. Mok Kwai Pui Bill

AUTHORISED REPRESENTATIVES

Dr. Yu Kai
Mr. Mok Kwai Pui Bill

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F, One Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1–9008
Cayman Islands

PRINCIPAL OFFICE IN HONG KONG

Suite 6703-04, 67/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Walkers Corporate Limited
190 Elgin Avenue
George Town
Grand Cayman KY1–9008
Cayman Islands

Corporate Information

HONG KONG SHARE REGISTRAR

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

COMPANY WEBSITE

www.chinaeducation.hk

STOCK CODE

839

Milestones

2017 DECEMBER
Listed on Hong Kong Stock Exchange

2018 MARCH
Zhengzhou Transit School joined the Group

2018 MARCH
Xi'an Railway College joined the Group

UP HOLDINGS LIMITED • CHINA EDUCATION GROUP HOLDINGS LIMITED • CHINA EDUCATION GROUP HOLDINGS LIMITED • CHINA EDUCATION GROUP HOL

2019 JULY
Chongqing Institute of Foreign Studies joined the Group

2019 OCTOBER
King's Own Institute (Australia) joined the Group

Milestones

2018 SEPTEMBER

Guangzhou College of Applied Science and Technology and Songtian Polytechnic College joined the Group

2019 MARCH

Yantai Institute of Science and Technology joined the Group

DINGS LIMITED • CHINA EDUCATION GROUP HOLDINGS LIMITED • CHINA EDUCATION GROUP HOLDINGS LIMITED • CHINA EDUCATION GROUP HOLDINGS

2020 MARCH

Partner with Richmond, The American International University in London (United Kingdom)

2020 SEPTEMBER

Haikou University of Economics and Affiliated Art School of Haikou University of Economics joined the Group

2021 SEPTEMBER

Chengdu Jincheng College joined the Group

To Pioneer Excellence and Innovation In Education

Co-Chairmen's Statement

Peace Hall, Chengdu Jincheng College

Since the 18th National Congress of the Communist Party of China (the "Party"), General Secretary Xi Jinping has planned for and promoted vocational education and made a series of important instructions on vocational education. In April 2021, General Secretary Xi Jinping gave a significant instruction on vocational education works at the National Vocational Education Conference (全國職業教育大會) underscoring that vocational education has a promising prospect and great potential; and it is important to adhere to the leadership of the Party in cultivating talents with integrity under the proper direction of school-running, optimize the positioning of vocational education, deepen production-education integration and school-enterprise cooperation, further promote the reform of education methods, school-running models, management systems and security mechanisms, steadily develop vocational undergraduate education, set up a number of high-level vocational colleges and majors, promote the integration of vocational education and general education and strengthen the adaptability of vocational education to accelerate the establishment of a modern vocational education system to cultivate more technical and skilled talents. He also made clear requirements to the party committees and governments at all levels.

Vocational education is the cradle that cultivates high-skilled talents and an important way for the youth to open up the door to success. It shoulders the important responsibilities of cultivating diversified talents, passing on skills and techniques and promoting employment and entrepreneurship. As China moves to a new stage of development, the industrial upgrading and economic restructuring constantly accelerate, therefore, there are increasingly urgent demand for technical and skilled talents from all walks of life. In particular, the in-depth application of artificial intelligence, Internet of Things, big data and other technologies in the new round of technological revolution and industrial transformation has put forward higher requirements for the quality of labours.

In 2020/21, in view of the anti-pandemic battle and the highly uncertain external environment, the Group focused on the implementation of and kept in mind the important instructions on vocational education given by General Secretary Xi Jinping to forge ahead with gratitude. Leveraging its unique advantages, such as school-running experience, teaching quality, social reputation, major features and school-enterprise cooperation, as well as the open platform of the Group, the Group endeavored to accelerate development and improve quality, and achieved

Co-Chairmen's Statement

steadily-improved operating performance and solid growth. New schools have been put into use, further expanding the school networks of the Group. The number of students graduated from our member schools hit another record-high, demonstrating the strength of vocational education.

BUSINESS REVIEW

Adhering to High-Quality Development and Achieving Steadily-Improved Operating Performance

In 2020/21, the financial performance of the Group grew steadily. Operating profit increased by 42.9% year-on-year and net profit increased by 107.2% year-on-year. Adjusted net profit attributable to owners of the Company increased by 57.1% year-on-year to RMB1.55 billion. As at 31 August 2021, the Group had total assets of RMB26.7 billion, representing a year-on-year increase of 48.8%. Cash reserve amounted to RMB5.0 billion. The key financial indicators remained sound and fair. The return on equity increased from 13.0% to 15.9%, realising a synchronous stable improvement in both education quality and operating efficiency.

Sticking to Education Commitment and Improving Social Reputation

Established in 1989, China Education Group has been committed to serving the country with vocational education. As a pioneer of private vocational education in China, we have always insisted on and pursued the commitment.

In 2020/21, with the joint efforts of all the faculty who injected momentum into the development of vocational education with their original commitment, the member schools of the Group achieved fruitful educational results, as shown in various ranking lists published recently, and further improved its social reputation. Jiangxi University of Technology ranked first in the Private University and College Ranking (Overall Competitive Strengths) of China; Guangdong Baiyun University ranked first in the Best GBA Universities (Private) Ranking; Chengdu Jincheng College ranked first among independent private colleges in China; Haikou University of Economics became the first private university to be recognised as a Provincial-Level Demonstrating Application-Oriented Undergraduate University in China; Guangzhou College of Applied Science and Technology won a gold medal during the National Games; Yantai Institute of Science and Technology was recognised as the Most Influential Undergraduate College in Shandong; Chongqing Institute of Foreign Studies won the grand prize of the National Ideological and Political Teaching Contest (Foreign Language Programmes), Baiyun Technician College won a gold medal during the National Vocational Skills Competition; Xi'an Railway College won the first prize of China International "Internet +" College Students Innovation and Entrepreneurship Competition; and Richmond University (UK) was ranked top London five for student satisfaction.

In 2020/21, in response to the high-quality development of vocational education and the "14th Five-Year" Plan, the Group fulfilled its responsibility as an education enterprise, continued to increase its investments to improve its education quality and training scale, and promoted its member schools for quality enhancement and excellence, focused on building first-class majors and first-class programmes and expanding the scale of talent training, and achieved fruitful results. During the period, 2 programmes of member schools were newly recognised as national-level first-class undergraduate programmes, 26 programmes were newly recognised as provincial-level first-class programmes, 14 majors were newly recognised as provincial-level first-class majors, and the teaching quality gained the national recognition. As one of the few private universities with post-doctoral training qualification, the post-doctoral training base of Jiangxi University of Technology has been rated as "excellent" by the government.

Our member schools have won widespread praise from students for the outstanding education and teaching quality, as well as good social reputation. In 2020/21, the unified new student enrollment in the member schools of the Group saw large growth, while the college entrance examination scores increased significantly, demonstrating that the school-running ability of the member schools of the Group is gaining widespread popularity among, and recognition from, students, parents and the society.

Co-Chairmen's Statement

Due to its industry-leading operating performance and results, sustainable development in a fast and health manner, top-notch global thinking, well-designed up-to-date strategic planning and people-oriented innovative development, the Company won the honor of the "Best Management Companies" by Deloitte China, Bank of Singapore, the Business School of HKUST and Harvard Business Review (China), being the only one in the industry with such prestigious award for the third consecutive year.

Serving the Real Economy and Expanding Talent-Training Scale to a Higher Level

The member schools of the Group graduated 52,000 students in 2020/21 to strongly support and serve the high-quality development of the local real economy.

During the "13th Five-Year Plan" period, the gross enrollment rate of China's higher education sector increased from 40.0% to 54.4%, achieving a historic leap from a popular stage to a widespread stage. According to the "14th Five-Year Plan", the gross enrollment rate of higher education is targeted to improve to 60% in 2025. Statistics show that the higher education entrance age population will grow to a higher level in China in the near future, and the enrollment is expected to continue to increase with continuous and further universalization of higher education.

In May 2020, the Ministry of Education issued the "Implementation Plan on Accelerating the Conversion of Independent Colleges"《關於加快推進獨立學院轉設工作的實施方案》, which clarified that the conversion of independent colleges was the top priority of the establishment of universities, and further specified that the independent colleges will be entitled to preferential support in terms of enrollment plans, project declarations and professional settings upon completion of conversion. The Group has actively responded to national policies, and has completed conversion of its three independent colleges in Guangdong, Shandong and Chongqing in 2020/21. In September 2021, all of them have recruited students as private regular universities with both enrollment quotas and admissions reaching a record high, and the number of new students enrolled in 2021/22 increased by more than 50% on average as compared to that prior to the conversion.

A good start was made by the Group in 2021/22. Driven by the strong demand of students for high-quality education, the unified new student enrollment of the member schools of the Group in 2021/22 increased by 34% year-on-year, hitting another record high. As of the date of this announcement, the number of enrolled students of the member schools of the Group is nearly 280,000, moving the overall scale to a new stage and further improving the ability of the Group to contribute to the establishment of a skill-based society.

Developing Leading Majors to Support National Strategic Emerging Industries

Strategic emerging industries represent the direction of a new round of scientific and technological change and industrial transformation. They are key areas for gaining new momentum and new competitive edge in the future, and also the top priority of China in establishing a modern economic system. In September 2020, the National Development and Reform Commission, together with the Ministry of Science and Technology, the Ministry of Industry and Information Technology, and the Ministry of Finance, issued the "Guiding Opinions on Expanding Investment in Strategic Emerging Industries and Developing New Growth Points and Growth Poles" (《關於擴大戰略性新興產業投資培育壯大新增長點增長極的指導意見》), which points out 20 key directions and supporting policies in respect of expanding investment in strategic emerging industries and developing new growth points and growth poles in order to promote the high-quality development of strategic emerging industries.

According to the statistics from the Ministry of Education, during the "13th Five-Year Plan" period, more than 70% of new front-line employees in the sectors, such as modern manufacturing, strategic emerging industries and modern service industries, are graduates from vocational colleges. The "14th Five-Year Plan" asks to improve the adaptability of vocational and technical education with a focus on the new needs of industrial upgrading and national strategies to move towards a higher level of high-quality development.

Co-Chairmen's Statement

As an ever-lasting philosophy of the Group, "leading education with excellence and innovation" represents the Group's pursuit of serving industry needs and improving education. In 2020/21, focusing on major national strategies and upon considering the trend of industrial upgrading and technological change, the member schools of the Group strengthened the development of majors related to strategic emerging industries, and launched and upgraded a batch of majors in the fields of new-generation information technology, high-end equipment manufacturing, new materials, biomedical healthcare, new energy, smart and new energy vehicles, energy conservation and environmental protection, digital creativity, etc. to cultivate basic and scarce talents for strategic emerging industries of the country. During the reporting period, the member schools of the Group launched, at the higher vocational education level, an aggregate of 285 application-oriented undergraduate majors, an increase of 20 year-on-year; 109 junior college majors, an increase of 38 year-on-year; and 184 continuing education majors, an increase of 69 year-on-year.

In response to the challenges of the new round of scientific and technological revolution and industrial transformation in a proactive manner, the Ministry of Education has launched new engineering research and practice projects to support national strategic and regional development needs, explore the establishment of world-class engineering education systems with Chinese characteristics and develop a power of engineering education. In recognition of the urgency of engineering education reform and innovation at present, the Group seized the opportunity and made active planning. In 2020/21, the Group stood out among its peers and obtained 3 new engineering research and practice projects approved by the Ministry of Education.

Well-Selected Regional Presence to Support National Regional Development Strategy

General Secretary Xi Jinping made a clear statement on the implementation of a coordinated regional development strategy in the report of the 19th National Congress of the Party. Integrating regional vocational education resources and increasing investment in vocational education are of great significance to promoting the implementation of the regional development strategy and realizing the coordinated development of regional economy of the country.

In full compliance with the coordinated regional development strategy in China, the Group focuses on the presence in key regions, keeps up with the needs of regional economic and social development, gives play to the role of vocational education in supporting industry structure, and encourages our member schools to serve the key industries and key areas that meet the needs of coordinated regional development. In recent years, the Group has carried out fruitful works around the Guangdong-Hong Kong-Macao Greater Bay Area, the Western Development Region and Hainan Free Trade Zone, with investments in such regions over RMB10 billion.

High-standard, modern and meeting the application-oriented undergraduate teaching needs, the new campus constructed for Guangdong Baiyun University in Guangzhou and Guangzhou College of Applied Science and Technology in Zhaoqing, each member school of the Group in the Guangdong-Hong Kong-Macao Greater Bay Area, has been put into use currently. The campuses of the Group in the Guangdong-Hong Kong-Macao Greater Bay Area are capable of serving more than 100,000 students and cultivating nearly 30,000 application-oriented talents for the local area every year. In recent years, Chengdu Jincheng College, the largest private undergraduate school in Sichuan Province, and Haikou University of Economics, the largest private undergraduate school in Hainan Free Trade Zone, also joined the member schools of the Group.

Co-Chairmen's Statement

The WFOE of the Company in China enjoys preferential policies in accordance with "Several Opinions on Supporting the Revitalization and Development of Southern Jiangxi and Other Former Central Soviet Areas" (《關於支持贛南等原中央蘇區振興發展的若干意見》) issued by the State Council and has been accredited by the government as an encouraged foreign investment industry during the latest enterprise registration. It is entitled to tax incentives until 2030 pursuant to the "Announcement on Continuation of the Western Development Enterprise Income Tax Policy" (《關於延續西部大開發企業所得税政策的公告》) issued by the Ministry of Finance, the State Administration of Taxation and the National Development and Reform Commission.

The Group will focus on the significant opportunities of regional development in the country to further expand its nationwide presence while further developing existing portfolio in order to help boost local economy through the development of advantageous and characteristic industries, and facilitate the implementation of the national regional development strategy.

Deepening Industry-Education Integration and Innovating School-Enterprise Cooperation

Deepening the industry-education integration is of great significance to the comprehensive improvement of the quality of vocational education, expansion of employment and entrepreneurship, promotion of economic transformation and development, and gaining of new momentum for economic development. The "Opinions on Promoting High-Quality Development of Modern Vocational Education" (《關於推動現代職業教育高質量發展的意見》) issued by the General Office of the Central Committee of the Party and the General Office of the State Council clearly encourages vocational schools to establish practice and training bases in enterprises and enterprises to establish cultivation and training bases in vocational schools to expand the school-running space for vocational schools and diversify the form and contents of school-enterprise cooperation.

In 2020/21, following the principle of "major to industry" for talent cultivation in the new era, the member schools of the Group have actively promoted school-enterprise cooperation and industry-education integration to enable the seamless connection between major settings and industry needs, as well as programme settings and occupational needs. Currently, the Group has established cooperative relationships with more than 2,000 enterprises, with the aim to having all majors to be backed by school-enterprise cooperation.

In addition to improving the employability of the students, the school-enterprise cooperation carried out by the Group also delivered positive social value. The mining and metallurgical waste recycling project jointly conducted by Jiangxi University of Technology and China Academy of Building Research has reduced expenses of RMB112 million for related enterprises in the past three years and is of great significance to environmental protection, energy conservation and emission reduction. In 2020/21, the project won China Industry-University-Research Collaboration and Innovation Achievement Award.

The member schools of the Group have also been active in promoting the innovative industry college model. School-enterprise cooperation has been established in every part of talent training, including majors, teachers, teaching materials, programmes, internships and employment, integrating education, talents, industry and innovation in an effective manner. The School-Enterprise Cooperation College of Hotel Management of Jiangxi University of Technology was selected as a typical case of the "Double Hundred Plan for School-Enterprise Cooperation" at the Higher Education Expo China in 2020/21.

Co-Chairmen's Statement

Strengthening Establishment of a Dual-Qualified Teaching Force and Deepening Vocational Education Reform

During the visit to the national political advisors from education, medical and health sectors attending the fourth session of the 13th National Committee of the Chinese People's Political Consultative Conference, General Secretary Xi Jinping pointed out: "Teachers are the central pillar of education. Only with high-quality teachers can there be high-quality education." Teachers are the first resource for the development of vocational education and the key force supporting the reform of national vocational education in the new era. The Central Committee of the Party and the State Council promulgated the "Opinions on Comprehensively Deepening the Reform of Teaching Force Development in the New Era" (《關於全面深化新時代教師隊伍建設改革的意見》), which asks to improve the quality of teachers in vocational colleges and build a high-quality "double-qualified" teaching force.

In 2020/21, the member schools of the Group strengthened the establishment of a "dual-qualified" teaching force by attracting high-skilled talents, craftsmen, masters and inheritors of intangible cultural heritage from enterprises in all industries to serve as technical instructor and engage in practice education. Trainings were provided for the improvement of teachers' professional skills and their ability of practice teaching, information technology application and teaching research. And a series of criteria for the accreditation, employment and evaluation of "dual-qualified" teachers have been in place. The dual qualification reflecting the level of skill and the professional teaching ability has been incorporated into teacher evaluation systems, pursuant to which, a teacher is evaluated primarily based on his/her ethics and style, craftsmanship, technical skills, and education and teaching achievements. The Group has also relied on "839 Class", a training platform, to improve the quality of teachers and strive to cultivate a group of teachers capable of providing trainings on vocational examinations for level certificates.

The Group organised teachers from its member schools to participate in various teaching skill contests, and promoted the sharing and exchange of teaching experience among member schools to reform and innovate the process, contents, and method of teaching. The Group continued to strengthen the management of education and teaching quality. Each of professional ethics, professional quality, level of technique and skill, employment quality and entrepreneurial ability is viewed as an important indicator of the quality of school teaching. During the process of teaching, teachers follow the discipline of vocational education and the physical and mental development of students, integrate the cultivation and practice of core socialist values into the whole process, focus on the needs of students for career and sustainable development, and promote the comprehensive improvement of students' morality, intelligence, physical fitness and beauty.

Performing Commission and Improving Social Responsibility Management System

There is natural public welfare value in education business, and the same is true for private education business. According to "Certain Opinions on Encouragement of Social Power to Operate Education and Promotion of Healthy Development of Private Education" (《關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》) of the State Council, it is required that "whether non-profit privately-run schools or for-profit ones should always take social benefits as the priority". As a leading enterprise in the vocational education sector, the Group has always put the social benefits to the first place, and required its member schools in China to uphold the direction of socialism for running schools, implement the fundamental task of developing morality of students, and implement the spirit of vital speech of the General Secretary Xi Jinping of "insisting on cultivating talents for the Party and the country". As such, developing morality of talents can be integrated into various sections such as mental and morality education, culture and knowledge education, and social practice education, and

Co-Chairmen's Statement

represented in various establishment areas such as discipline system, education system, material system, and management system, leading a number of youths to take serving the country as their highest pursuit so as to think and do what the country needs.

The Group has actively performed its responsibility as a leading enterprise in vocational education sector, consciously integrated social responsibilities into its development strategy and operating and management activities, and continuously improved the corporate social responsibility management and performance level. The Group has implemented the general guidelines set out in the World Bank Group Environmental, Health, and Safety, the standards in International Finance Corporation's Environmental and Social Policies and the standards in IFC Performance Standards, and integrated ESG into the corporate operation and management. The Group firmly supports the sustainable development, and vigorously promotes structure energy saving, technology energy saving and management energy saving. Targeting to build an enterprise of green vocational education, the Group continues its efforts to realize the national goal of carbon neutrality and carbon peak.

Adhering to the principle of from the society and to the society, the Group has provided scholarship and assistance to students with merits and needs, and intensified the protection of interests of students and teachers. In the past three years, the member schools of the Group have provided assistance to cumulative 73,559 students with a cumulative amount of RMB84.91 million, including scholarship and assistance of RMB65.44 million, tuition fees concession of RMB9.46 million and on-campus work of RMB10.01 million. Due to its contribution to social equality, the Company has obtained the accreditation of "inclusive business" by International Finance Corporation of the World Bank Group.

General Secretary Xi Jinping pointed out that there would be no modernization of the whole country without modernization of agriculture and rural areas, and pointed out that rural revitalization is an overall and historical mission that is of vital importance to the comprehensive construction of a modern socialist country. The Group remained true to its original aspiration and kept its mission firmly in mind to resolutely implement the policies and decisions of the Party Central Committee on agricultural work, and strive to support the national strategy of rural revitalization through vocational education. The member schools of the Group have trained cumulative 41,974 migration workers for the latest three years with trained skills including electrical equipment maintenance, vehicle maintenance, online business operation, computer-aided design, Chinese and Western cooking, Cantonese dim sum, Li people's paper cutting, sewing, efficient cultivation technics of crop planting, etc. In 2020/21, three commissioners of Guangdong Baiyun University on rural science and technology at the provincial level were praised by the Guangdong Provincial Government in public (being the only private university for undergraduate studies in Guangdong Province that was praised in public) for their renovation and activation of rural old buildings and their environment, rural breeding temperature control, development, promotion and application of alarm equipment, as well as the packaging design of agricultural products, the development and design of local tourism cultural and creative products, and new media live marketing (live commerce), which were well recognised by farmers.

The corporate governance of the Company is based on the principles of the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules and the Company has complied with all the code provisions.

In 2020/21, the Group conducted appraisal of internal control on education, teaching and operating management across various member schools and carried out rectification against the weakness found in the appraisal. In addition, the Group required the member schools to set up and improve the internal control system driven by risk management and focused on compliance management, form the work mechanism with specific duty and responsibility, clear workflow and orderly regulation, further improve the internal control system focusing on vital sections such as education and teaching, asset procurement, and engineering

Co-Chairmen's Statement

projects, effectively carry out internal control appraisal and supervision, actively integrate management and control measures of internal control system into various business information systems so as to further enhance management level and reinforce the capacity of member schools against risks.

Creating Chinese Vocational Education Brands in Cooperation with Overseas Member Schools

According to the "Opinions on Promoting High-Quality Development of Modern Vocational Education" (《關於推動現代職業教育高質量發展的意見》 issued by the Central Committee of the Party and the State Council, domestic schools should enhance the quality of Sino-foreign cooperation in operating schools, strengthen cooperation with internationally high-level vocational education institutions and organisations as well as conducting academic research, standard development and personnel exchanges.

Based on its two overseas schools, namely King's Own Institute in Australia and Richmond University in London, UK, the Group has offered dual-degree programmes in 11 majors such as accounting, IT and finance, in our PRC member schools, which international programmes have enjoyed wide acceptance among students and parents. The integration and synergy among our PRC and overseas schools has also promoted the communication between teachers and students and their learning, thus reinforcing the competitiveness of our schools at home and abroad on discipline settings, syllabus, talent training plan and other aspects.

In 2020/21, the Group's first batch of students from our PRC member schools completed the master's degree programmes of our overseas schools and successfully obtained the master's degree from our overseas schools, marking that the collaboration between the Group's domestic and overseas schools has allowed students to substantially improve their academic qualifications and abilities internationally.

Besides, there have been the Group's member schools completing the institutional accreditation from the Quality Assurance Agency for Higher Education (QAA) in UK, signifying that the education quality and management level of our member schools is gaining international recognition.

In 2020/21, the Group realised segment results of RMB75.0 million in global education segment, representing an increase of 14.7% as compared to last year. It has been one of the few companies in industry that were still able to make profits and achieve growth despite the severe challenges such as the outbreak of pandemic overseas and the restrictions on international travel, demonstrating the Group's operating capacity and business resilience. As the restrictions imposed overseas during the outbreak of pandemic gradually ease, in particular, the government of Australia has announced that it will reopen the borders for immigration of international students with effect from December 2021, the Group is preparing to continue to expand its global education segment to capitalize on the recovery of global education industry at a global scale. King's Own Institute in Australia is making preparation for its first step out of Sydney since its establishment. It plans to launch a new campus in Newcastle, the seventh-largest city in Australia, in 2021/22, which will increase the capacity in King's Own Institute by 35%.

OUTLOOK

General Secretary Xi Jinping's important instructions on vocational education are regarded as mission of the age assigned by the CPC Central Committee to vocational educators. It does not only represent complete confidence in vocational educators, but also serves as significant momentum for vocational educators. General Secretary Xi Jinping's important instructions on vocational education fully reflect that the CPC Central Committee with General Secretary Xi Jinping at its core attaches great importance to, gives full confidence in and extends warm care and ardent hope for vocational education works.

Co-Chairmen's Statement

TVZone Media College Building, Haikou University of Economics

In the new era, the CPC Central Committee has provided huge opportunities and business space available for the development of vocational education. We believe that in terms of vocational education, its channels connecting to other types of education are increasingly more integrated, the journey to a higher school and to success of its students is increasingly more extensive, and its competitiveness and attractiveness will get greater than ever before.

As a leading player in vocational education, China Education Group possesses comparative advantages and favorable conditions, that's where the Group's confidence of playing a greater role in serving for and integrating into the new development pattern of China lies in. By thoroughly studying and understanding the important instructions proposed by General Secretary Xi Jinping and proactively responding to the calls of the CPC Central Committee, China Education Group will strengthen the fulfillment of its missions and respond in a rapid manner. China Education Group strives to play its leading and driving role in industry and gathers strength to construct high-quality vocational education in the new era, in order to provide strong support for realizing national strategic goals such as regional human resource building, industrial transformation and upgrade, technical innovation, and the promotion of employment and business startups.

Lastly, on behalf of the Board, we would like to express our heartfelt thanks to all sectors of society for their supports to the Company, and extend our sincere thanks to all the staff for their efforts!

Yu Guo **Xie Ketao**
Co-Chairmen

Hong Kong, 24 November 2021

NUMBER OF STUDENTS

240,000

as at 31 August 2021

109

JUNIOR COLLEGE DIPLOMA PROGRAMMES

285

BACHELOR'S DEGREE PROGRAMMES

14

MASTER'S PROGRAMMES

184

CONTINUING EDUCATION PROGRAMMES

169

VOCATIONAL EDUCATION PROGRAMMES

Management Discussion and Analysis

Haikou University of Economics

The Co-Chairmen's Statement on pages 7 to 15 of this annual report constitutes part of this Management Discussion and Analysis.

BUSINESS OVERVIEW

The Group is a leading global vocational education group with footprints in China, Australia, and the United Kingdom ("UK"), visioning to provide quality education through innovation. As at 31 August 2021, the Group's school network consists of eleven schools in China (including the top ranked and largest private university in the country and four schools in the Guangdong-Hong Kong-Macao Greater Bay Area), an accredited higher education institute in Sydney, Australia, and a US-UK dual degree awarding university in London, UK. The Group is also the largest listed higher and secondary vocational education provider in China in terms of student enrollment.

Schools Newly-included in the Group's School Network During the Reporting Period

Haikou University of Economics AND Affiliated Art School of Haikou University of Economics

In September 2020, Haikou University of Economics and Affiliated Art School of Haikou University of Economics joined the Group.

Haikou University of Economics is approved to provide Bachelor's degree programmes by the Ministry of Education of the PRC in 2008 and had a student enrollment of approximately 43,000 in August 2021. Occupying a total campus area of more than 1,400 mu, the university enjoys one of the largest capacities and the most advanced facilities among private universities in China.

Haikou University of Economics has been highly successful in operating high-quality collaboration programmes especially for arts and film-related programmes. It is designated by Hainan government as a model private university of application-oriented education. In "China's Private University Rankings" published by the Chinese Academy of Management Science, the university ranks first in Hainan and fourth in China in terms of education quality, respectively.

Affiliated Art School of Haikou University of Economics is a vocational school in the Hainan province, the PRC. The school has a student enrollment of approximately 2,400 as in August 2021. Students graduating from the school may choose to continue their Bachelor's and Junior College programmes in Haikou University of Economics.

Management Discussion and Analysis

Addition of Further Interest in Xi'an Railway College

In December 2020, the Group announced acquiring further 28% equity interests in Ganzhou Xitie Education, which indirectly owns the entire school sponsorship interest of Xi'an Railway College. Ganzhou Xitie Education became a 90% owned consolidated affiliated entity of the Company.

Student Enrollment

As at 31 August 2021, the Group operated in three business segments and its school network includes eleven universities and professional schools in China, an accredited higher education institute in Sydney, Australia, and a US-UK dual degree awarding university in London, UK, with a total enrollment of approximately 240,000 students, up 33.2% from the enrollment as at 31 August 2020. The rapid increase in student enrollment of higher vocational education segment was attributable to the organic growth in students enrolled in our existing schools and new campuses, as well as those from the Haikou University of Economics included in the Group's school network during the year ended 31 August 2021. The slight decrease in student enrollment of secondary vocational segment and global education segment was mainly due to the drop of the new student enrollment as a result of the prevention measures and social restrictions of coronavirus disease 2019 ("COVID-19") outbreak disrupting enrollment in certain regions. As these restrictions have gradually been relieved, the new student enrollment for the academic year 2021/2022 is expected to resume.

	As at	
Business Segment	**31 August 2021**	31 August 2020
Higher Vocational Education Segment	**177,455[(1)]**	110,467[(2)]
Secondary Vocational Education Segment	**59,533**	65,924
Global Education Segment	**3,016**	3,788
Total	**240,004**	180,179

After the reporting period, the Group has further expanded its business to the Sichuan Province, PRC. As at the date of this annual report, the Group had 14 schools in its school network and its student enrollment has increased to approximately 280,000 students. For more details please refer to the Company's announcement dated 1 November 2021.

Notes:

(1) Included 50,385 students enrolled in the continuing education programmes as at 31 August 2021. The significant increase in continuing education enrollment is attributable to the organic growth in our existing schools and those from the new member school — Haikou University of Economics.

(2) Included 22,158 students enrolled in the continuing education programmes as at 31 August 2020.

Management Discussion and Analysis

China Education Fund

On 29 June 2018, the Group entered into the framework agreement with VP Shenzhen, a subsidiary of Value Partners Group Limited, for the establishment of the China Education Fund, with a targeted asset under management of RMB5 billion. As at 31 August 2021, China Education Fund completed registration with relevant authorities and the Group made capital contribution amounting to RMB31,303,000 to the China Education Fund.

EVENT AFTER THE REPORTING PERIOD

School Included in the Group's School Network After the Reporting Period

After the reporting period, the Group has further expanded its business to the Sichuan Province, PRC. In September 2021, Chengdu Jincheng College joined the Group. Details of the transaction please refer to the Company's announcements dated 26 July 2021, 10 August 2021 and 14 September 2021.

Chengdu Jincheng College

Chengdu Jincheng College was founded in 2005. As an independent college co-sponsored with a "985 Project" university, the school has an outstanding reputation. On the recent list of "Top 100 Guangzhou Daily Data & Digital Institute Applied University (Independent College)", Chengdu Jincheng College ranks first among private independent colleges in China. The admission scores of the school for the undergraduate liberal arts, undergraduate science, junior liberal arts and junior science in the college entrance exam 2020 was the highest among independent colleges in Sichuan Province, and the school admitted students from the first batch of undergraduate enrollment with national key universities for some majors. In August 2021, the school enrolled approximately 26,000 students.

FINANCIAL REVIEW

The financial results for the years ended 31 August 2021 and 31 August 2020 are as follows:

	Year ended	
	31 August 2021 *RMB'000*	31 August 2020 *RMB'000*
Revenue	**3,682,440**	2,678,088
Cost of revenue	**(1,507,348)**	(1,077,101)
Gross profit	**2,175,092**	1,600,987
Other income	**192,222**	113,276
Selling expenses	**(168,188)**	(134,918)
Administrative expenses	**(474,420)**	(372,273)
Operating profit	**1,724,706**	1,207,072
Investment income	**43,426**	18,356
Other expense, other gains and losses	**(240,372)**	(33,978)
Fair value change on convertible bonds	**145,264**	(369,260)
Finance costs	**(162,056)**	(92,609)
Profit before taxation	**1,510,968**	729,581
Taxation	**(39,206)**	(19,230)
Net profit	**1,471,762**	710,351
Net profit attributable to owners of the Company	**1,443,799**	633,202
Adjusted net profit attributable to owners of the Company	**1,546,383**	984,127

Management Discussion and Analysis

The calculations of adjusted net profit and adjusted net profit attributable to owners of the Company are as follows:

Calculation of Adjusted Net Profit

		Year ended 31 August 2021 RMB'000	Year ended 31 August 2020 RMB'000
Net profit		**1,471,762**	710,351
Adjustments for:	Foreign exchange gain/loss	**(33,063)**	(42,964)
	Share-based payments	**(25,072)**	6,320
	Imputed interest on deferred cash considerations	**11,703**	18,309
	Fair value change on convertible bonds	**(145,264)**	369,260
	One-off and other current period expenses related to conversion of independent colleges into private universities	**259,742**	–
	Fair value change on construction cost payables for school premises	**34,538**	–
Adjusted net profit		**1,574,346**	1,061,276

Calculation of Adjusted Net Profit attributable to owners of the Company

		Year ended 31 August 2021 RMB'000	Year ended 31 August 2020 RMB'000
Net profit attributable to owners of the Company		**1,443,799**	633,202
Adjustments for:	Foreign exchange gain/loss	**(33,063)**	(42,964)
	Share-based payments	**(25,072)**	6,320
	Imputed interest on deferred cash considerations	**11,703**	18,309
	Fair value change on convertible bonds	**(145,264)**	369,260
	One-off and other current period expenses related to conversion of independent colleges into private universities	**259,742**	–
	Fair value change on construction cost payables for school premises	**34,538**	–
Adjusted net profit attributable to owners of the Company		**1,546,383**	984,127

Management Discussion and Analysis

Revenue

The Group's revenue reached RMB3,682.4 million for the year ended 31 August 2021, up 37.5% as compared to RMB2,678.1 million for the year ended 31 August 2020. The increase reflected students' strong demand for quality education offered by the Group and the effective execution of the Group's expansion strategy.

Higher Vocational Education Segment

Revenue from higher vocational education segment increased from RMB1,744.4 million for the year ended 31 August 2020 to RMB2,759.6 million for the year ended 31 August 2021, representing a 58.2% increase. The significant increase in revenue of higher vocational education institutions was mainly driven by the organic growth in student enrollment and tuition fees of existing higher vocational education institutions and the inclusion of one new institution, namely Haikou University of Economics (which became a consolidated affiliated entity of the Group in September 2020), to the Group.

Secondary Vocational Education Segment

Revenue from secondary vocational education segment decreased from RMB736.3 million for the year ended 31 August 2020 to RMB702.8 million for the year ended 31 August 2021, representing a 4.5% slight decrease. The slight decrease in revenue of secondary vocational education institutions was mainly due to the drop of the student enrollment as a result of the prevention measures and social restrictions of coronavirus disease 2019 outbreak which temporarily disrupted student enrollment in certain regions such as Henan Province. As these restrictions have since been relieved, the new student enrollment for the academic year 2021/22 is expected to resume.

Global Education Segment

Revenue from global education segment increased from RMB197.4 million for the year ended 31 August 2020 to RMB220.0 million for the year ended 31 August 2021 representing a 11.4% increase. The increase in revenue of global education segment was mainly driven by the inclusion of KOI (which became a subsidiary of the Group in October 2019) to the Group and the organic growth in the tuition fees.

Cost of Revenue

The cost of revenue increased from RMB1,077.1 million for the year ended 31 August 2020 to RMB1,507.3 million for the year ended 31 August 2021, representing a 39.9% increase. The increase was due to the expansion of the Group and the growth of student number.

The Group's independent colleges in Guangdong Province, Shandong Province and Chongqing Municipality paid a partnership fee to their public school co-sponsors. The partnership fee of RMB68.5 million (for the year ended 31 August 2020: RMB70.2 million) was recognised as cost of revenue for the year ended 31 August 2021. Such partnership costs cease to exist after the independent colleges are converted into full private higher education schools or after all students enrolled by the independent colleges are graduated. The Group's independent colleges in Guangdong Province, Shandong Province and Chongqing Municipality have been successfully converted during the reporting period.

Management Discussion and Analysis

Gross Profit, Gross Profit Margin and Return on Equity

The Group's gross profit was RMB2,175.1 million for the year ended 31 August 2021, up 35.9% as compared to RMB1,601.0 million for the year ended 31 August 2020. The gross profit margin was 59.1% for the year ended 31 August 2021 as compared to 59.8% for the year ended 31 August 2020. On a like-for-like basis for institutions (excluding the schools newly joined the Group after the comparative period), the gross profit margin after adjusting for the current period expenses related to conversion of independent colleges into private universities was 60.8% for the year ended 31 August 2021, up 100 basis points as compared to last year, which demonstrated the improvement in the schools' operations. The return on equity (which is calculated on the basis of adjusted net profit attributable to owners of the Company to the average of the beginning and ending balance of equity attributable to owners of the Company) of the Group was increased from 13.0% for the year ended 31 August 2020 to 15.9% for the year ended 31 August 2021 and remained sound and fair.

Other Income

Other income primarily included management fee income, academic administration income and government grants. The management fee income was increased from RMB36.9 million during the year ended 31 August 2020 to RMB69.2 million during the year ended 31 August 2021. The academic administration income and government grants were RMB49.8 million and RMB45.3 million, respectively, for the year ended 31 August 2021.

Selling Expenses

The Group's selling expenses was RMB168.2 million for the year ended 31 August 2021 as compared to RMB134.9 million for the year ended 31 August 2020. The selling expenses represented about 4.6% of revenue for the year ended 31 August 2021 and was decreased as compared to that of 5.0% for the year ended 31 August 2020.

Administrative Expenses

The Group's administrative expenses was RMB474.4 million for the year ended 31 August 2021 as compared to RMB372.3 million for the year ended 31 August 2020. It represented about 12.9% of the revenue for the year ended 31 August 2021 and was decreased as compared to that of 13.9% for the year ended 31 August 2020 which was mainly attributable to the implementation of cost saving measures, improvement in synergies effect and the net reversal of share-based payments under share option schemes. For the year ended 31 August 2021, the Group recognised net reversal of share-based payments of RMB25.1 million as compared to expenses of RMB6.3 million for the year ended 31 August 2020.

Operating Profit

The operating profit amounted to RMB1,724.7 million for the year ended 31 August 2021, increased by 42.9% as compared to RMB1,207.1 million for the year ended 31 August 2020. The increase was mainly due to the organic growth of the existing schools and the inclusion of new schools.

Management Discussion and Analysis

Other Expense, Other Gains and Losses

The other expense, other gains and losses were recorded at net losses of RMB240.4 million for the year ended 31 August 2021 which was mainly attributable to the one-off expenses for conversion of independent colleges into private universities of RMB227.5 million and the net foreign exchange gain of RMB33.1 million.

Fair Value Change on Convertible Bonds

The fair value change on convertible bonds of RMB145.3 million was recognised in profit or loss as a result of the decrease in fair value of convertible bonds during the year ended 31 August 2021. The convertible bonds are classified as financial liabilities and are measured at fair values, which are determined based on certain inputs, including share price of the Company, using valuation technique.

Finance Costs

The finance costs mainly represented the interest expenses on bank and other financial institutions borrowings and imputed interest on deferred cash considerations. The finance costs was increased from RMB92.6 million for the year ended 31 August 2020 to RMB162.1 million for the year ended 31 August 2021.

Net Profit and Net Profit Margin

The adjusted net profit was increased by 48.3% to RMB1,574.3 million for the year ended 31 August 2021 from RMB1,061.3 million for the year ended 31 August 2020, after adjusting for the foreign exchange gain, share-based payments, imputed interest on deferred cash considerations, fair value change on convertible bonds, the one-off and other current period expenses related to conversion of independent colleges into private universities and fair value change on construction cost payables for school premises. The adjusted net profit attributable to owners of the Company was increased by 57.1% to RMB1,546.4 million for the year ended 31 August 2021.

The Group's net profit before any adjustment for the above one-off and non-cash items was increased by 107.2% to RMB1,471.8 million for the year ended 31 August 2021 from RMB710.4 million for the year ended 31 August 2020.

The adjusted net profit margin increased from 39.6% for the year ended 31 August 2020 to 42.8% for the year ended 31 August 2021. On a like-for-like basis for institutions (excluding the schools newly joined the Group after the comparative period), the net profit margin after adjusting for the one-off and other current period expenses related to conversion of independent colleges into private universities was 47.1% for the year ended 31 August 2021 as compared to 43.3% for the year ended 31 August 2020, up 380 basis points as compared to last year.

Management Discussion and Analysis

Earnings before interest, tax, depreciation and amortisation ("EBITDA")

EBITDA is calculated as profit before taxation adding back finance costs, depreciation of property, plant and equipment and right-of-use assets and amortisation of intangible assets. EBITDA was increased to RMB2,094.4 million for the year ended 31 August 2021 from RMB1,144.2 million for the year ended 31 August 2020. Adjusting for the foreign exchange gain, share-based payments, fair value change on convertible bonds, the one-off and other current period expenses related to conversion of independent colleges into private universities and fair value change on construction cost payables for school premises, the adjusted EBITDA was increased by 48.0% from RMB1,476.9 million for the year ended 31 August 2020 to RMB2,185.3 million for the year ended 31 August 2021.

Property, Plant and Equipment

Property, plant and equipment as at 31 August 2021 increased by 77.1% to RMB12,126.3 million from RMB6,846.6 million as at 31 August 2020. Increase in property, plant and equipment was mainly due to the construction of new campuses in Guangdong Province and the inclusion of a new university in Hainan Province.

Capital Expenditures

Our capital expenditures for the year ended 31 August 2021 were RMB3,206.1 million and were primarily related to construction of new campus of Guangdong Baiyun University and Guangzhou College of Applied Science and Technology and new buildings at existing schools.

Cash Reserve

Including bank balances and cash, restricted bank deposits and structured deposits and money market funds recognised in financial assets at fair value through profit or loss, the cash reserve amounted to RMB5,048.4 million as at 31 August 2021 (31 August 2020: RMB4,366.6 million). The Group placed 122,000,000 Shares and received total net proceeds of HK$2,012.6 million (equivalent to RMB1,681.4 million) in January 2021. The net proceeds are designated to be used for the potential acquisitions and expansion and development of the Group's new campuses in the Greater Bay Area.

Subsequent to the top-up placing which closed on 3 February 2021 raising approximately HK$2.01 billion net proceeds, on 5 February 2021 and 18 February 2021, China Education Group (Hong Kong) Limited purchased the BOCI Notes (the "BOCI Notes") from UBS Hong Kong at an investment cost of HK$1 billion and HK$300 million respectively. The investment cost of the BOCI Notes primarily came from the funds raised by the Company referred to above and generates 3.30% and 3.10% fixed interest for the Company as an alternative to the equivalent of fixed deposit provided by commercial banks which typically generates a much lower interest at the time. The BOCI Notes were issued on 9 February 2021 and 23 February 2021, and redeemed on 9 March 2021 and 23 March 2021 respectively at maturity.

Liquidity, Financial Resources and Gearing Ratio

As at 31 August 2021, the Group had cash reserves of RMB5,048.4 million (31 August 2020: RMB4,366.6 million).

Management Discussion and Analysis

As at 31 August 2021, the Group had bank and other borrowings of RMB6,091.2 million (31 August 2020: RMB2,678.5 million) and convertible bonds of RMB2,243.6 million (31 August 2020: RMB2,428.2 million). Certain bank and other borrowings and proceeds from placement were not yet fully utilised. In order to have a better use of our financial resources, the Group purchased certain structured deposits and money market funds during the year ended 31 August 2021. The structured deposits and money market funds were short-term liquidity management products with minimal risk exposure and the Group held these investments for short-term cash management purpose.

As at 31 August 2021, the net gearing ratio (which is calculated on the basis of total amount of bank and other borrowings and convertible bonds, net of cash reserve, to total equity of the Group) was 28.0% (31 August 2020: 8.3%). As at 31 August 2021, the debt to asset ratio (which is calculated on the basis of total amount of bank and other borrowings and convertible bonds to total assets of the Group) was 31.2% (31 August 2020: 28.4%).

For the year ended 31 August 2021, the return on assets (which is calculated on the basis of adjusted net profit to the average of the beginning and ending balance of total assets of the Group) was 7.0% (for the year ended 31 August 2020: 6.4%).

Treasury Policy

During the year ended 31 August 2021, the Group has adopted a prudent treasury policy and maintained a robust liquidity structure. In the management of the liquidity risk, the Group monitors and maintains appropriate levels of financial resources to meet its funding needs.

Foreign Exchange Risk Management

During the year ended 31 August 2021, the Group mainly operated in the PRC and Australia. The majority of the Group's revenue and expenditures are denominated in Renminbi and Australian dollars, the functional currencies of the relevant territories, except that certain expenditures are denominated in Hong Kong dollars and US dollars. The Group also has certain foreign currency bank balances, other payables, other borrowings and convertible bonds denominated in Hong Kong dollars and US dollars, which would expose the Group to foreign exchange risk. After assessing the cost and benefit, the Group did not use any financial instruments for hedging purposes. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Contingent Liabilities

As at 31 August 2021, the Group had no significant contingent liability.

Charges on the Group's Assets

As at 31 August 2021, the bank and other borrowings of the Group amounting to RMB3,461.8 million were secured by tolling right of tuition fee, boarding fee and ancillary income of certain subsidiaries, deposits, equity interest of certain subsidiaries of the Group and plant and equipment under sale and leaseback arrangements.

Saved as disclosed above, there was no other material charge on the Group's assets as at 31 August 2021.

The Group is fully committed to **Safeguard the Environment**, be **Socially Responsible** and maintain a **Stringent and Impartial Corporate Governance** in its daily operation

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

1.1 Reporting Guidelines

Our Group is not only a paragon of private higher education and vocational education in China but also an exemplar of staunch guardian of Environmental, Social and Governance ("ESG") practice. We are fully committed to safeguard the environment, be socially responsible and maintain a stringent and impartial corporate governance in our daily operation.

This report, prepared by the Company in accordance with the "Environmental, Social and Governance Reporting Guide" under Appendix 27 of the Listing Rules, aims to provide the environmental and social performance of China Education Group Holdings Limited for the year ended 31 August 2021. We set out below our efforts to mitigate the negative influence to the environment, to promote our employees' well-being and to contribute to the local communities during the reporting period.

1.2 Reporting Principles

This report is solely prepared by the Company. The Board and senior management, to their best knowledge, have monitored and guarantee the completeness, reliability, authenticity and objectivity of the information included in this report, and update the ESG disclosure practice based on the changing standards and the Company's business operation. We also hope to strengthen our communication with the stakeholders and increase the transparency of the Company through the publication of this report, to achieve economic, social and environmentally sustainable development. This report is available in both English and Chinese. However for any discrepancies, the Chinese version will prevail.

We have applied the following reporting principles in preparing the ESG report:

(1) Materiality: in identifying and assessing the environmental, social and governance issues that have a material impact on the ESG report, we have performed substantial assessments and researches by ways of, among others, directly communicating with relevant stakeholders and viewing historical documents and images, and, in line with the Group's mission and vision as well as the core items of the ESG report, we have submitted such assessments and researches to the Board through the task force. The Board then makes selections based on timeliness, accuracy and reliability and assigns relevant personnel to prepare such assessment and research reports.

Environmental, Social and Governance Report

(2) Quantitative: The data and information used in this report are derived from our internal sources (such as questionnaires, records, statistics and inhouse researches) and external data (such as estimations and measurements provided by independent third-party professionals engaged by the Company). The Group's energy consumption is calculated mainly with reference to the conversion factor in the General Principles of Comprehensive Energy Consumption Calculation (GB/T 2589-2008), the national standard of the PRC. The Group's greenhouse gas emissions are calculated mainly with reference to the 2017 Baseline Emission Factors for Regional Power Grids in China published by the Ministry of Ecology and Environment and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories published by the Intergovernmental Panel on Climate Change (IPCC). The Group's major source of non-hazardous wastes is office wastes, while domestic wastes are handled in a centralized manner by the environmental and health department of the development zone and yet to be measured separately. We have performed estimation in accordance with the First National Pollutant Source Census Manual of Urban Living Source Discharge Coefficients issued by the State Council.

We have established an organizational system and management system in terms of social responsibility and environmental protection based on our own business characteristics so as to enhance the Company's overall ESG management and specify the ESG duties of various departments in our member schools. We actively strengthen our ESG performance by consistently reviewing and improving our systems. We endeavor to promote the culture of environmental protection and social responsibility so as to facilitate the incorporation of the ESG concept into the corporate operation and promote the sustainable development of the Company. For the next step, we will make proactive improvement in our social factors by providing more systematic training systems for our staff to encourage them to improve their overall capacity in the development process and to demonstrate their own value.

(3) Balance: Our ESG report provides an objective, unbiased picture of the issuer's performance. The report avoids selections, omissions or presentation formats that might inappropriately influence a decision of or judgment by the report reader.

(4) Consistency: Since its first ESG report issued in 2018, The Group has been and will continue using consistent methodologies to allow for meaningful comparisons of ESG data over time.

Environmental, Social and Governance Report

1.3 Reporting Scope and Reporting Period

The reporting scope is aligned with the accounting consolidation basis, that is, only the consolidated affiliated entities are included in the report. Unless otherwise stated, the reporting scope of this report covers the Group's 14 major consolidated affiliated entities (for the year ended 31 August 2020: 12), namely the corporate head offices — China Education Group (Hong Kong) Limited, Huajiao Education Technology (Jiangxi) Company Limited ("WFOE"), our schools in the PRC — Jiangxi University of Technology, Guangdong Baiyun University, Haikou University of Economics, Chongqing Institute of Foreign studies, Guangzhou College of Applied Science and Technology, Yantai Institute of Science and Technology, Songtian Polytechnic College, Xi'an Railway College, Zhengzhou Transit School, Baiyun Technician College, Affiliated Arts School of Haikou University of Economics and our school in Australia — King's Own Institute. The increase in reporting coverage is due to two new schools (major consolidated affiliated entity) were consolidated into the Group during the reporting period.

Unless otherwise stated, the reporting period of this report is from 1 September 2020 to 31 August 2021, which is tantamount to the reporting period covered in the Annual Report 2020/2021.

1.4 ESG Governance

ESG matters and reporting are responsible by the Group's Internal Control Department and overseen by the Board. The Board periodically conducts ESG assessment by identifying potential impacts, risks, and opportunities posed to the operation, reviews senior management and functional departments' competence in executing ESG responsibilities, and initiates internal auditing providing high-quality assurance on ESG reporting.

In order to identify, assess and manage environmental, social and governance issues that have a material impact on the ESG report, we have introduced the board participation mechanism to specify ESG management objectives and determine ESG management risks so as to achieve standardized and normalized board participation of ESG governance with proper procedures.

The Group has established an environmental, social and governance task force comprising core members of the Group's various departments to collect information, fill in and report data through, among others, questionnaires, interviews, researches and studies as well as being responsible for preparing the environmental, social and governance report. The task force will regularly report to and assist the Board to identify and assess the Group's environmental, social and governance risks and the effectiveness of the internal control mechanism. The task force will also examine and assess our performance in various aspects within the environmental, social and governance scope such as environmental and labour standards. The Board will in turn set the overall direction of the Group's environmental, social and governance strategy, guide the consistent improvement in ESG management efforts by benchmarking against the ESG data within the industry and segmenting objectives and ensure the effectiveness of the environmental, social and governance risk control and the internal control mechanism.

Environmental, Social and Governance Report

1.5 Stakeholder Engagement

In order to achieve completeness and to report the most significant aspects for the Group in this report, we have engaged the key stakeholders, including but not limited to government authorities, non-governmental institutions and organizations, shareholders, students, employees and suppliers, in discussion sessions to discuss and to review areas of attention which will help the Company to meet its potential growth and be prepared for future challenges.

1.6 Information and Feedback

We welcome stakeholders' feedback on our ESG approach and performance. Please provide us with your views or suggestions via email to sprg_chinaeducation@sprg.com.hk.

2. PARTNERING WITH INTERNATIONAL FINANCE CORPORATION (IFC) IN ESG COMPLIANCE AND PROMOTION

2.1 Inclusive Business

IFC has identified the Group as having an inclusive business model due to its reach to underserved students. Inclusive businesses provide goods, services, and livelihoods on a commercially viable basis to people at the base of the pyramid. G20 leaders have highlighted the important role of inclusive businesses in the implementation of the United Nations' Sustainable Development Goals. Inclusive businesses re-define business-as-usual to help eradicate poverty and boost shared prosperity. The Group is proud of being identified as an inclusive business model and will continue to commit itself in offering high quality education with affordable tuition to students.

The Group considers United Nations' Sustainable Development Goals and believes Goal 1: No Poverty — Economic growth must be inclusive to provide sustainable jobs and promote equality, and Goal 4: Quality Education — Obtaining a quality education is the foundation to improving people's lives and sustainable development, are the most relevant to the Group's development strategic objective.

Environmental, Social and Governance Report

2.2 Compliance with IFC Performance Standards

The Group will collect data to monitor environmental and social status, review and report on our environmental and social policy; this report covers the status of our compliance with IFC Performance Standards and applicable local governmental, social, labour, safety, security and health registration and standards and measures taken to remedy any non-compliance. We agree to achieve, as a minimum, the standards set out in IFC's Environmental and Social Policies and IFC Performance Standards, and the World Bank Group Environmental, Health, and Safety general guidelines. Such requirements define approaches for managing business operations and investment projects and include Performance Standards in areas such as environmental and social management system, labour and working conditions, land acquisition and involuntary resettlement, and life and fire safety. We have agreed to implement an action plan to adopt measures to enable our operations to be conducted in compliance with IFC Performance Standards. We will also comply with applicable environmental, social, labour, health, security and safety legislations and guidelines and standards in countries/regions where we operate. For more details, please refer to the section headed "Cornerstone Investors" of the Company's prospectus dated 5 December 2017.

2.3 IFC Green Buildings Project

Meeting the IFC Performance Standards is not our ultimate goal in corporate sustainability and environment protection; we strive to go well beyond regulatory compliance. In November 2017, the Group has committed to implement IFC Green Building standards that adopt IFC EDGE certification (new buildings designed and constructed must meet 20% improvement in energy, water, and materials usage as measured against local construction practices) for energy efficiency and material consumption sustainability across our existing and possibly future new school/campus project(s). IFC EDGE certified buildings are financially and environmentally rewarding, making them more investment worthy and marketable properties.

During the reporting period, Guangdong Baiyun University's new campus project has started preparing its new buildings to be IFC EDGE certified. As at the date of this annual report, we have successfully registered for the project and started preparing for the site audit; management expects the Group to receive the IFC EDGE certification in 2022.

We believe a commitment to apply IFC Green Building standards can help the Group to enhance its profitability through resource and cost efficiency. More importantly, this commitment would complement the Group's strong brand value and strengthen the Group's leadership position among HKEx's listed education companies.

3. ENVIRONMENT

3.1 Emissions

3.1.1 General

The Group is principally engaged in education services, hence, the types and volumes of emissions generated in our daily operations are limited. Our major sources of emission are exhaust from our motor vehicles and canteens, catering and domestic wastewater from schools, and the domestic wastes from schools. Our schools strictly comply with the relevant laws and regulations relating to exhaust gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes of their local jurisdictions such as the Notice on Further Promoting the Energy Conservation of Public Buildings of the Ministry of Finance and the Ministry of Housing & Urban-Rural Department, the PRC Energy Conservation Law, and the Australian Emission Law. In addition, our schools preserve the natural environment by focusing on the management of the polluting sources of schools pursuant to the PRC and Australian Environment Protection Law and other relevant laws and regulations.

3.1.2 Types of emissions and respective emission data

Our source of **exhaust gases and greenhouse gases** is mainly from stationary combustion (such as canteens) and company-owned vehicles. The air emissions of motor vehicles include nitrogen oxides (NO_x), sulphur oxides (SO_2) and respiratory suspended particles (PM), while the greenhouse gas emissions include carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O). We also produce carbon dioxide indirectly through electricity consumption.

Our **liquid emissions** are mainly domestic wastewater from dormitories and canteens. Domestic wastewater is discharged into the municipal sewage pipelines in compliance with municipal requirements. During the reporting period, one of our schools was in the progress of refining its sewage discharge pipeline.

As for the **solid emissions**, our hazardous wastes are light tubes and bulbs. Our major source of non-hazardous wastes is from various recyclable and non-recyclable domestic wastes produced from schools. The Company's domestic wastes are collected and categorized by qualified professional property companies and are transferred by municipal disposal companies to the garbage transfer station designated by government health authorities. The garbage generated by the schools each day is removed and cleaned by property management companies, and is transferred to the garbage transfer station for disposal. The detailed emission data of the Group during the reporting period is as follows; The considerable increase in total emissions of the Group and emissions per student from 2020/19 to 2021/20 is due to inclusion of emissions of the newly acquired schools and resuming on-campus classes from the COVID-19 epidemic.

Environmental, Social and Governance Report

Total emissions of the Group

	Measure	Year ended 31 August 2021	Year ended 31 August 2020
Air Emissions (excluding greenhouse gas emissions)			
Nitrogen oxides (NO_x)	kg	**3,932.2**	2,426.6
Sulphur oxides(SO_2)	kg	**30.9**	19.3
Particulate matter (PM)	kg	**344.7**	211.5
Total:	kg	**4,307.8**	2,657.4
Liquid Emissions			
Domestic wastewater (from dormitories)	tonnes	**3,633,636**	2,186,091
Domestic wastewater (from canteens)	tonnes	**764,943**	344,617
Total:	tonnes	**4,398,579**	2,530,708
Solid Emissions			
of which: hazardous waste (light tubes and bulbs)	number	**32,720**	22,228
of which: non-hazardous waste	tonnes	**25,945**	13,035
Less: recycled portion	tonnes	**(596)**	(204)
Total:	tonnes	**25,349**	12,831

*Emissions per student**

	Measure	Year ended 31 August 2021	Year ended 31 August 2020
Air Emissions (excluding greenhouse gas emissions)			
Nitrogen oxides (NO_x)	kg	**0.0207**	0.0154
Sulphur oxides (SO_2)	kg	**0.0002**	0.0001
Particulate matter (PM)	kg	**0.0018**	0.0013
Total:	kg	**0.0227**	0.0168
Liquid Emissions			
Domestic wastewater (from dormitories)	tonnes	**19.16**	13.83
Domestic wastewater (from canteens)	tonnes	**4.03**	2.18
Total:	tonnes	**23.19**	16.01
Solid Emissions			
of which: hazardous waste (light tubes and bulbs)	number	**0.1726**	0.1407
of which: non-hazardous waste	tonnes	**0.1368**	0.0825
Less: recycled portion	tonnes	**(0.0031)**	(0.0013)
Total:	tonnes	**0.1337**	0.0812

* *Students enrolled in the continuing education programmes are not considered in the calculation.*

Environmental, Social and Governance Report

3.1.3 *Greenhouse Gas Emissions of the Group*

	Measure	Year ended 31 August 2021	Year ended 31 August 2020
Direct (scope 1)			
Combustion of fuels in stationary sources	tonnes	**3,817**	2,761
Combustion of fuels in mobile sources	tonnes	**943**	674
Less: greenhouse gas offset by our trees	tonnes	**(662)**	(542)
Total:	tonnes	**4,098**	2,893
Energy Indirect (scope 2)			
Energy indirect emissions	tonnes	**106,028**	52,895
Total:	tonnes	**106,028**	52,895

*Greenhouse gas emissions per student**

	Measure	Year ended 31 August 2021	Year ended 31 August 2020
Direct (scope 1)			
Combustion of fuels in stationary sources	tonnes	**0.0201**	0.0175
Combustion of fuels in mobile sources	tonnes	**0.0050**	0.0043
Less: greenhouse gas offset by our trees	tonnes	**(0.0035)**	(0.0034)
Total:	tonnes	**0.0216**	0.0184
Energy Indirect (scope 2)			
Energy indirect emissions	tonnes	**0.5592**	0.3347
Total:	tonnes	**0.5592**	0.3347

* *Students enrolled in the continuing education programmes are not considered in the calculation.*

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3.1.4 Emission targets set and steps taken to achieve them

Emission type	Emission per student target for 2020/2021	Approaches
Air Emissions (excluding greenhouse gas emissions)		
Nitrogen oxides (NO_x) Sulphur oxides (SO_2) Particulate matter (PM)	Reduce air emission per student by 3% compared with FY2019/20's	1. Provide trainings for drivers to enhance their driving skills and implement the management system of "One card for one vehicle" by designated personnel, to monitor gasoline in collaborative gas stations and select gasoline from qualified gas stations 2. Regularly inspect and repair vehicles to keep them well-functioned, to integrate the vehicle dispatch, usage and route in advance and to enhance the management and operation of the school vehicles team 3. Arrange school buses for employees to commute between schools and their residential districts and add routes, and to prioritize the purchase and selection of new energy school buses and make full use of social public transportation resources to reduce exhaust emissions 4. Encourage staff to take public transport when dealing with non-urgent matters 5. To install exhaustion system for oil, smoke and gas emission in canteens so as to achieve up-to-standard emission on top of the roof through the electrostatic purification equipment

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Emission type	Emissions per student target for 2020/2021	Approaches
Liquid Emissions		
Domestic wastewater (from dormitories) Domestic wastewater (from canteens)	Reduce liquid emission per student by 3% compared with FY2019/20's	1. Actively carry out emission reduction and water saving promotional campaigns, and to educate students and teachers on water conservation on a regular basis 2. Conduct diversion, categorized collection and quality-based treatment of domestic sewage (domestic wastewater and sewage from canteens) and rainwater so as to realize cost-effective wastewater management 3. Arrange maintenance personnel to conduct periodic inspection on the discharge of rainwater and wastewater division pipelines in the campus and timely rectify pipelines with potential problems of emitting, leaking, dripping, and running water to ensure the discharge of rainwater and wastewater wells in the campus are in compliance with the requirements of the drainage license 4. Reinforce the water pollutants discharge management of each tenants and operators and the discharge of water pollutants shall be within the state or local standards for the discharge of water pollutants and indicators for the total discharge control of major water pollutants 5. Strictly prohibit the placing of garbage, chemicals, waste oil and sewage at the rainwater pipe network by all units and departments to prevent contamination of rainwater 6. Prohibit the discharge of water pollutants by unauthorized subsurface drainage pipe or by other means evading from regulations

Environmental, Social and Governance Report

Emission type	Emissions per student target for 2020/2021	Approaches
Solid Emissions		
Hazardous waste (light tubes and bulbs)	Reduce hazardous waste emission per student by 3% compared with FY2019/20's	1. Carry out knowledge learning and education regarding hazardous wastes on the bulletin board and electronic displays to enhance students' environmental awareness 2. Strengthen the hazardous waste disposal management and carry out fixed storage and centralized collection, and to engage professional recycling companies to conduct effective disposal 3. Prioritize the use of energy-saving and efficient LED lighting appliance to replace fluorescent lighting appliance gradually 4. Engage professional recycling companies to carry out sorting of the hazardous wastes while applying rain and waste dispersal prevention and anti-leakage measures during the course of storage, transportation and disposal
Non-hazardous waste	Reduce non-hazardous waste emission per student by 3% compared with FY2019/20's	1. Proactively implement paperless office and online office to reduce paper consumption 2. Our schools discourage students and canteens using or providing plastic bags and disposable tableware so as to reduce the production and discharge of domestic waste (some of our member schools impose charges on plastic bags and disposable tableware, and provides direct drinking water throughout the campus) 3. Educate students on food -saving; improve food utilization and reduce waste 4. Our schools have been committed to promoting sustainable development and dedicating themselves to recycle the recyclable solid waste. During the reporting period, the Group recycled 596 tonnes (for the year ended 31 August 2020: 204 tonnes) of recyclable waste in total (excluding those handled by third-party recycling companies), sufficiently reducing landfills in respective schools' local communities

Environmental, Social and Governance Report

Emission type	Emissions per student target for 2020/2021	Approaches
Greenhouse Gas Emissions		
Direct (scope 1)	Reduce greenhouse gas emission per student by 3% compared with FY2019/20's	1. Attach great importance to the afforestation of campus and proactively carry out tree planting activities to increase the green coverage of campus 2. During the reporting period, we introduced 10,338 new trees and replanted more than 352 thousand shrubs and saplings. During the reporting period, the greenhouse gas offset by the Group's owned trees amounted to 662 tonnes, which effectively offsets the greenhouse gas emissions of 0.6%
Energy Indirect (scope 2)		1. Establish a management system in respect of electricity saving to enhance promotion, education and instruction 2. Strengthen and improve the measurement and management of electricity meters, preventing noncompliant use of electricity and wastage 3. Scale up effort in repairing and upgrading old electrical equipment and facilities and optimize electrical wires, equipment and facilities so as to avoid wear and tear arising from excessive use of electricity 4. Enhance daily supervision of electricity usage, preventing waste of electricity in dormitory, classrooms and public areas, as well as wasteful illumination 5. Install timers in public lighting circuit and facilities so as to regularly cut off power during off hours. The "only turn on every other lamp" (隔一亮一) measure in respect of public street lamps is implemented during non-festival days and in non-key regions 6. To purchase energy-saving lights as a replacement of high energy-consuming lights

Environmental, Social and Governance Report

3.2 Use of Resources

3.2.1 General

In order to promote the reasonable consumption and conservation of energy and thus to enhance the overall efficiency of energy consumption, our schools have assessed the energy reduction goals and have improved the management system of energy saving and energy saving records in accordance with the relevant energy conservation laws and regulations of their respective local jurisdictions. The energy reduction goals are segmented and the stage of completion of the energy reduction goals is evaluated regularly. The formulation and improvement of various energy reduction systems create a regulated environment with rules and precedents for our schools to follow so as to develop economical/resource conservative campuses. We have formulated various energy reduction systems in line with the actual situation of the development of schools and each department is constrained to strictly comply with the systems.

For example:

The Regulation of Energy Management (for upper management):	*The Duties of Water Conservation Leading Team*, the *Duties of Leader of Energy Saving Team*, *Responsibilities of Water, Electricity, and Gas Management Positions*, the *Standards of Water Saving Work*
The Management System of Energy Saving and Usage:	*The Management System of Energy Usage*, *Notices for Strengthening of Energy Saving Management of School Air Conditioners*, *Provisions on Administration of Water Reduction and Water Usage Management*, the *Management System of Planned Water Usage*, the *Management System of Incentive and Penalties of Water Usage*, the *Management System of Water, Electricity and Gas Usage*
The Management and Analysis Regulation of Energy Measurement:	The *Management Regulation of Energy Consumption Statistics and Usage Analysis*, the *Management Regulation of Energy Measurement*, the *Requirements of Energy and Water Measurement*, the *Measures for Administration of Energy and Water Measurement and Energy Saving*
The Usage and Maintenance Regulation of Energy-based Devices:	*Operating Instructions of Air Conditioners*, the *Scheduled Maintenance Regulation of Water Equipment, Appliances and Pipes*, the *Operation and Management Regulation of Water Saving Equipment*, *Public Facilities Management and Maintenance System*

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3.2.2 *Total consumption of resources/energy*

The Group adheres to the principle of conservation and exercises stringent management of energy consumption. The total energy consumption of the Group during the reporting period is as follows; The considerable increase in total resources/energy consumption of the Group and emissions per student from 2020/19 to 2021/20 is due to inclusion of consumption of the newly acquired schools and resuming on-campus classes from the COVID-19 epidemic.

Total resources/energy consumption of the Group

Resources/Energy Categories	Measure	Year ended 31 August 2021	Year ended 31 August 2020
Electricity	kWh	**134,076,974**	69,687,133
Water	m^3	**6,072,402**	4,088,765
Natural gas	m^3	**1,741,848**	1,211,669
Gasoline	liter	**148,794**	96,343
Diesel	liter	**197,438**	156,143
Liquefied petroleum gas	kg	**4,265**	23,525
Alcohol-based fuels	kg	**0**	48,310

*Resources/energy consumption per student**

Resources/Energy Categories	Measure	Year ended 31 August 2021	Year ended 31 August 2020
Electricity	kWh	**707.1**	441.0
Water	m^3	**32.0**	25.9
Natural gas	m^3	**9.2**	7.7
Gasoline	liter	**0.8**	0.6
Diesel	liter	**1.0**	1.0
Liquefied petroleum gas	kg	**0.0**	0.2
Alcohol-based fuels	kg	**0.0**	0.3

* *Students enrolled in the continuing education programmes are not considered in the calculation.*

3.2.3 *Description of resources/energy use efficiency target(s) set and steps taken to achieve them*

The Group and its schools have been actively enhancing the resources/energy use efficiency mainly through the electricity and water savings. The Company does not have any problems in sourcing water that is fit for purpose. All of our schools have stable sources of water supply from municipal pipes and the water quality meets the national safety standard.

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Resources/ energy	Consumption per student target for 2020/2021	Approaches
Electricity	Reduce resource/energy consumption per student by 3% compared with FY2019/20's	1. Gradually replace certain old low-voltage cabinets in various buildings 2. Gradually replace traditional street lights in campuses and lighting in classrooms with LED energy-saving lamps or Acousto-optic lamps 3. Air conditioner temperature is set to 26°C or above in the summer 4. All staff and students leaving classrooms or offices are required to switch off lighting devices and lights 5. Private power connect or high energy-consuming appliances are not allowed on campuses
Water		1. Treated sewage irrigation; use built-in sewage treatment plant that treats domestic wastewater and use the treated wastewater for greening and road spraying 2. Implement water conservation and renovation projects such as utilising water conservation taps, water saving storage-type toilet flushing valves, environmental automatic micro-irrigation and so on to effectively reduce the total water consumption in campuses 3. Proactively carry out publicity campaign on energy conservation and provide environmental training by displaying posters in campuses to promote the importance of environmental protection to students and teachers and enhance their environmental awareness 4. Inspect the electricity and power equipment regularly to prevent water pipe leakage
Natural gas, Gasoline, Diesel, etc.		Please refer to section 3.1.4 of this report

Our efforts in water conversation are well recognised by the government; Jiangxi University of Technology was awarded the ``2020 Water-saving Organization" by the Water-saving Industry Branch of Jiangxi Urban Construction Management Association

3.2.4 *Total packaging material used for finished products*

The Group engages in the business of education services but not industrial manufacturing, thus no packaging material is consumed.

3.3 Environment and Natural Resources

3.3.1 *General*

The Group strictly abides by and implements the relevant national and provincial policies, in order to reduce damage to the environment and natural resources. During the reporting period, the Group abode by the following policies which have a significant impact on the environment and natural resources, including but not limited to: **National policies**, such as, PRC Energy Conservation Law and Notice of the Ministry of Education on Deeply Developing Food Saving, Water Saving and Electricity Saving Activities, and National Hazardous Waste List (2021 Edition); **Provincial policies**, such as, Regulations on the Prevention and Control of Water Pollution in Guangdong Province, Regulations on the Management of Urban and Rural Domestic Waste in Guangdong Province (Revised edition), and Regulations on the Prevention and Control of Soil Pollution in Jiangxi Province; **Municipal-level policies**, such as, Notice on Launching Activities to Create Water-saving Colleges and Universities of Nanchang City, Notice on Guidance and Management of Electricity Safety in Winter, and Domestic Waste Classification Management Regulations of Xi'an City. In addition, the schools emphasize the development of campus culture, strive to create a clean, civilized and harmonious campus environment, by doing a good job in campus greening, sanitation and hygiene management, implementing a target management system in accordance with the school quality management system, and regularly reviewing the implementation of various policies aiming to further reduce the impacts on the environment.

3.3.2 *Significant impacts of activities on the environment and natural resources and our conservation actions taken*

As the number of students in the Group is continuously increasing, the amount of water consumption and sewage discharge is correspondingly increasing, so does the amount of domestic garbage and kitchen waste, resulting a certain impact on the environment and water resource. In addition, new infrastructure projects in progress. For example, since the construction site of Chongqing Institute of Foreign Studies is close to the school's dormitory and teaching buildings, construction work is prohibited during lunch breaks and after 10pm. Another example is the upcoming construction of the Zhengzhou Transit School sports field and stands, which will generate dust and air noise pollution. In respond, the school carried out 1) multiple fog cannons to reduce dust on the construction site, install sprays around the construction site, 2) construction work is prohibited during daytime break and after working hours, 3) plastic runway construction staff is required to wear gloves, masks or anti-virus Face mask, and 4) make a flushing platform to flush the construction vehicles in time.

Our schools emphasize the environment protection and stick to the sustainable development in daily management. In order to reduce environmental pollution, the Group has integrated energy conservation and emission reduction into the entire teaching and service processes, and has actively established and promoted conservation-oriented campuses so that energy conservation work can be carried out in the schools in a concerted manner.

During the reporting period, the relevant management actions we have taken are: 1) Promote energy saving renovation for buildings. We built an energy-saving supervision platform on campus, in order to supervise the water and electricity consumption in the students' dormitories and the use of air conditioners during the course of administration, teaching and in the office, so as to ensure the real-time transmission of data and remote monitoring and management. 2) Strengthening water saving measures. We strictly regulate water consumption, promote water conservation, oppose the waste of water resources, and encourage water recycling. The schools have actively carried out activities to create "Water-saving Colleges and Universities" based on The Assessment Standard for Water- Saving Colleges and Universities promulgated by respective provincial governments. 3) Strengthening energy-saving measures for office equipment. According to our internal statistics, reducing the standby time of office equipment can greatly reduce power consumption and extend the equipment service life. While we actively cultivate employees' awareness of energy conservation in reducing power consumption caused by standby time, we also plan to use some automated technology to achieve energy conservation in reducing power consumption caused by standby time. In addition, we have phased out old equipment with high power consumption and gradually replaced them with green products and equipment. We give priority to energy efficiency in the purchasing of electrical appliances and equipment. 4) Carrying out the investigation, monitoring and analysis (such as real-time tracking and management) of water and electricity usage and establishing the energy saving incentives and restraint mechanisms. 5) The Group encourages a paperless office environment, gradually bans the cafeteria to provide students with plastic bags and recycles all recyclable garbage as much as possible, so as to effect earnest enforcement in environmental protection.

3.4 Climate Change

3.4.1 General

For policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact the issuer, please refer to section 3.1.1, 3.2.1, and 3.3.1 of this report.

3.4.2 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them

Water and electricity are the principal consumables of colleges and universities, hence strengthening water and electricity saving management is profoundly meaningful for developing an economical campus. The schools under the Group continuously enhanced the investigation, monitoring and analysis of water and electricity usage by carrying out real-time tracking and management of energy consumption. Upgrading water-saving measures, the schools promoted water conservation, opposed the waste of water resources and encouraged water recycling by actively carrying out campaigns on building "Water-saving Colleges and Universities". Striving to strengthen energy-saving measures for office equipment, we mainly focused on both optimizing the quality of electricity source and reducing standby consumption of electricity.

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4. SOCIAL

Employment and Labour Standards

4.1 Employment

4.1.1 General

Remuneration

Remuneration policy of our schools is formulated under the guidance of the relevant laws and regulations of the local jurisdictions of our member schools and is also based on the industry characteristics as well as various market factors. Our member schools determine their respective compensation standards based on the employment by function (teachers, teaching assistants, administrative personnel and workers, etc.) and position. Schools participate in social insurance (pension, housing provident fund, medical, unemployment, work injury and maternity insurance) plans under the guidance of relevant national, provincial, and municipality policies and provide a variety of benefits for employees.

Dismissal

The guidelines and procedures for the dismissal of employees and the termination of contracts with schools are stipulated in relevant human resource policies and *Employment Contract*. In general, employees are terminated by the schools only if they violate the national laws, the rules and regulations of the schools, or the relevant provisions of the Employment Contract. The schools provide economic compensation to eligible terminated employees according to relevant national *Labour Contract Law*.

Recruitment

The Group and its member schools follow the *Labour Law*, *Labour Contract Law*, *Employment Promotion Law*, *Labour Dispute Mediation* and *Arbitration Law* as well as other relevant laws and regulations of their respective local jurisdictions in the recruitment process. We prohibit discrimination of staff by age, sex, race, nationality, religion or disability, ensuring everyone has equal employment opportunities and respects.

Our schools recruit talents based on business development and operational needs, as well as candidate's integrity and professionalism. Our talent selection policy does not only focus on professional knowledge, experience, and relevant qualification, but also on candidate's morality, professional ethics and discipline. All candidates with employment offer will have to sign the employment contract no later than one month since the first day report to work, and we stipulate the probation period according to law. Near the end of the probation period, human resources department will work with the candidates' respective departments to conduct comprehensive assessments on new employees' performance and personality fit during the probation period, to decide whether we should officially offer the position as scheduled or ahead of the schedule, or terminate the employment.

We actively attract talents through contacting the target colleges, participating in talent recruitment fairs and industry conferences, and encourage employee referral through social media or various means. In addition, we provide pre-employment and on-the-job trainings such as assigning coaches (experienced teachers) for newly hired teachers and new teachers boot camp to ensure new teachers have faster and smoother transitions and integrations.

Promotion

The Group believes that the teaching quality depends largely on the quality of teachers. To improve the teaching quality and enhance teachers' work initiatives, as well as to ensure teachers are fairly rewarded and compensated based on their efforts and work qualities. Most of our member schools have formulated the *Measures for Determination of Performance Awards and the Performance Management Measures*, and faculty and staff are required to take annual appraisals and corresponding performance appraisals.

The schools promote teachers and employees based on their work performance, individual performance, and job qualifications, etc. For professional and technical positions, we promote the eligible employees among the best professional and technical personnel based on their performance results and service time at the current positions and promote them within the systems of post ranking. For management positions, we select the eligible employees among the best based on their performance, results and annual assessments and promote them in the case of vacant posts. In the case of no vacant posts, we may appropriately give a raise to the qualified employees.

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Share Option Schemes and Share Award Scheme

The Company has adopted Share Option Schemes (Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme) and Share Award Scheme for the purpose of incentivizing eligible participants for their contribution to the Group. For more details, please refer to the section headed "Share Option Schemes and Share Award Scheme" of the Report of the Directors.

During the year ended 31 August 2021, the Company has not granted any share options (for the year ended 31 August 2020: 200,000) to its employees.

Working hours and vacations

The Group strictly implements the system of working, resting and vacation according to relevant human resource policies and other national regulations. Our standard working hours are eight hours per day, five days per week, or no more than 40 normal working hours per week, with at least one day off. Except for unusual circumstances, such as at the end of the year, we do not advocate overtime work. For those who have been approved to work overtime due to business needs, the schools shall pay the overtime fees according to regulations. Teachers and employees are legally entitled to statutory holiday, winter and summer vacations (or annual leaves), casual leaves, sick leaves, marriage leaves, compassionate leaves, maternity leaves (and paternity leaves) and other paid or unpaid leaves.

Equal opportunities

Teachers and employees enjoy equal opportunities for education, professional development and promotion and are not discriminated against due to their races, genders, religions or cultural backgrounds.

Diversification

The backgrounds of our teachers and employees are highly diverse; we have entrepreneurs, highly international faculties and foreign teachers with rich oversea academic and work experiences; we have employees with intensive governmental and industrial experiences; we also have outstanding talents from public and private companies, as well as experienced scholars from other public and private schools. The Group has made great efforts to attract social talents to join the teaching team and to promote its diversity, and to fully utilize the valuable experience of the retired and re-employed personnel. For example, Jiangxi University of Technology, Guangzhou College of Applied Science and Technology, Zhengzhou Transit School and Chongqing Institute of Foreign Studies employ a considerable number of retirees from the industries and schools.

Anti-discrimination

We provide equal opportunities in recruitment and employment, and oppose any types of discrimination. The Company resolutely resists and opposes any forms of discrimination or forced labour practices, including forced labour, racial discrimination, and improper punitive measures. We strive to create a harmonious and equal working environment for all employees. During the reporting period, the Group did not receive any complaints related to any form of discrimination or forced labour.

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4.1.2 Total number of employees by gender, type of employment, age group and geographical region

As at 31 August 2021, the Group had a total of 11,034 employees, a 24.9% increase from 2020's mainly due to inclusion of employees of Haikou University of Economics and Affiliated Arts School of Haikou University of Economics during the year ended 31 August 2021. Please refer to the following four tables for detailed disclosure by category.

Total number of employees by gender

Gender		At 31 August 2021 (person(s))	At 31 August 2020 (person(s))
Male		**5,324**	4,350
Female		**5,710**	4,483
	Total:	**11,034**	8,833

Total number of employees by type of employment

Type of employment		At 31 August 2021 (person(s))	At 31 August 2020 (person(s))
Directors & senior management of the Group*		**10**	9
Teachers		**7,726**	6,124
Teaching support staff		**575**	590
Administrative staff		**1,558**	1,192
Accounting and internal control staff		**117**	105
Campus security staff		**277**	161
Other staff		**771**	652
	Total:	**11,034**	8,833

**Note: Details of directors & senior management of the Group are set out in "Directors and Senior Management" of this Annual Report.*

A majority of our employees are teachers and teaching support staff, accounting for nearly 75% of the total number of employees. Our teachers and teaching support staff are our greatest and most valuable human resource asset.

Environmental, Social and Governance Report

Total number of employees by age group

Age group		At 31 August 2021 (person(s))	At 31 August 2020 (person(s))
30 or below		**2,802**	2,333
31-40		**4,379**	3,477
41-50		**2,200**	1,652
51-60		**1,196**	1,010
Over 60		**457**	361
	Total:	**11,034**	8,833

About 85% of our employees are between the ages of 31 and 50; this group mainly consists of teachers and professors with teaching experience of 10–20 years. In addition, the number of employees under the age of 30 is also considerable, accounted for 25% of the total employees; this group mainly consists of youth teachers with teaching experience of or less than 10 years or youth teachers working toward their teacher qualification certificates, with tremendous supports from the Group.

Total number of employees by geographical region

Geographical region			At 31 August 2021	At 31 August 2020
PRC	Jiangxi Province		**1,820**	1,849
	Guangdong Province		**1,662**	1,607
	Henan Province		**925**	968
	Shaanxi Province		**596**	449
	Shandong Province		**696**	537
	Chongqing municipality		**506**	446
	Hainan Province		**488**	n/a*
Australia	New South Wales		**177**	173
Others	Others		**4,164**	2,804
		Total:	**11,034**	8,833

*Note: *Haikou University of Economics and Affiliated Arts School of Haikou University of Economics were not yet our operating schools in 2019/20 academic year.*

We have a rather diverse workforce. As at 31 August 2021, around 38% of our employees come from locations other than where our schools operate.

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4.1.3 Employee turnover rate by gender, age group and geographical region

We have a very stable teachers and management workforce. During the reporting period, the Group had a total of 1,110 resigned employees, representing an employee turnover rate of 9.1%. Please refer to the following three tables for detailed disclosure by category:

Employee turnover by gender

Gender		**Year ended 31 August 2021 (person(s), %)**	Year ended 31 August 2020 (person(s), %)
Male		**562 (4.6%)**	547 (5.6%)
Female		**548 (4.5%)**	463 (4.7%)
	Total:	**1,110 (9.1%)**	1,010 (10.3%)

Employee turnover by age group

Age Group		**Year ended 31 August 2021 (person(s), %)**	Year ended 31 August 2020 (person(s), %)
30 or below		**478 (3.9%)**	466 (4.8%)
31-40		**344 (2.8%)**	248 (2.5%)
41-50		**112 (0.9%)**	90 (0.9%)
51-60		**90 (0.7%)**	100 (1.0%)
Over 60		**86 (0.7%)**	106 (1.1%)
	Total:	**1,110 (9.1%)**	1,010 (10.3%)

Employee turnover by geographical region

Geographical region			**At 31 August 2021**	At 31 August 2020
PRC	Jiangxi Province		**65 (0.5%)**	53 (0.5%)
	Guangdong Province		**172 (1.4%)**	154 (1.6%)
	Henan Province		**184 (1.5%)**	238 (2.4%)
	Shaanxi Province		**97 (0.8%)**	104 (1.1%)
	Shandong Province		**68 (0.6%)**	148 (1.5%)
	Chongqing municipality		**30 (0.2%)**	28 (0.3%)
	Hainan Province		**16 (0.1%)**	n/a*
Australia	New South Wales		**12 (0.1%)**	12 (0.1%)
Others	Others		**466 (3.8%)**	273 (2.8%)
		Total:	**1,110 (9.1%)**	1,010 (10.3%)

**Note: Haikou University of Economics and Affiliated Arts School of Haikou University of Economics were not yet our operating schools in 2019/20 academic year.*

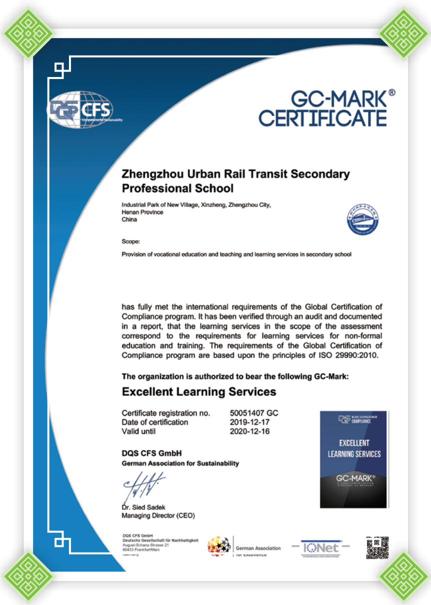
Environmental, Social and Governance Report

4.2 Health and Safety

4.2.1 General

In order to ensure the normal teaching order of the Group and the health and safety of the employees and students, the Group has established strict safety management regulations and standards for fire safety, campus safety and health environment construction, facilities and equipment management, and anti-smoking management, etc., to provide staffs and students with a healthy and safe working and learning environment. While strictly complying with the *Infectious Diseases Prevention Law*, *School Health Work Regulations*, *Fire Protection Law* and other relevant laws and regulations of their respective local jurisdictions in formulating safety management systems, the Group has also established a safety and health work leading team to effectively supervise the implementation of safety inspection system and a safety accountability system, and has carried regular campus safety inspections to ensure the health and safety of teachers and students.

Baiyun Technician College has established an ISO 9001 quality management system in earlier years, in addition to *QB-0703-04 Work Environment Management Procedures* and *QB- 0810-18 Protection Control Procedures* to effectively protect the occupational and environmental safety of employees and students. Zhengzhou Transits School fully passed the ISO 29990 comprehensive quality management system certification audit and subsequently received the ISO 29990 certificate and the global compliance certification and the GC-MARK certificate(certificates below).



Environmental, Social and Governance Report

The Group also provides employees with relevant accident protection as required by national regulations such as the *PRC Labour Law* and the *Regulations on Work Injury Insurance*. The Group provides necessary labour protection supplies and other measures to ensure employees have a safe working environment that is free from occupational hazards. In addition, the Group participates in annual employee work-related injury insurance and basic medical insurance, which can help its schools and its employees to mitigate accidental risk and damage to a certain extent.

4.2.2 *Work injuries and accidents*

During the past three years including the current reporting period, the Group did not have any work-related fatalities.

4.2.3 *Lost days due to work injury*

During the reporting period, the Group had six employees who had work-related injuries (for the year ended 31 August 2020: four), resulting a total of 304 lost days (for the year ended 31 August 2020: 198). In response to these six work-related injuries, the Group actively applied for work-related injury certification for employees, arranged hospital visits, and compensated for work-related injuries to ensure employees obtain insurance coverage and salary as required by relevant laws.

4.2.4 *Occupational health and safety measures and related implementation and monitoring methods*

Due to the characteristics and working environment of the education industry, most employees, such as teachers and administrative staff, do not expose to any inherent occupational hazard risks. A small group of employees, such as maintenance technicians and other outdoor workers, expose to limited occupational hazards risk. Our schools mainly adopt the following measures to avoid occupational hazards: to provide necessary protection and communication tools for safety and security personnel, to provide labour protection supplies for maintenance personnel, and to formulate safe operating procedures and provide safety trainings for employees.

Our schools have adopted the following measures to ensure the safety of employees:

First, implement safety education and safety precautions. Our schools promote safety education, health education and prevention awareness through the official school website, WeChat, TikTok, and other various internal and offline publicity platforms to continuously improve the safety and health awareness of our teachers and students. In addition, most of our operating schools provide free health check-up for all employees every one or two years.

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Second, establish safety and health supervision projects. We have strengthened safety inspections in key areas and key locations to eliminate safety hazards in a timely manner. As at the end of the reporting period, the safety and health supervision projects established by the Company mainly include: safety and health publicity and education, investigation and rectification of hidden safety hazards, power safety usage management, management of hazardous chemicals, safety management of food and boilers in canteens, policies and security work requirements, clinic and health management, dormitory safety management and school bus safety management, and improvement for campus and surrounding environment. We are equipped with necessary video surveillance equipment in public areas, and assign security guards to safety and health supervision projects, be well-prepared for emergency. As for campus environment, our schools regularly disinfect different areas of campuses on a weekly basis, and makes sufficient efforts on environmental hygiene and disease prevention. In addition, air conditioning maintenance work is conducted every semester. At the same time, anti-smoking is strictly enforced, and tobacco control inspections are regularly conducted to ensure the health of staffs and students and to avoid any incidents that endanger the safety of our school campuses.

Third, crack down fire safety issues. The group attaches great importance to campus fire safety; all our schools issue fire safety notices at the beginning of academic year, holidays, important periods and sensitive period, and regularly inspect the fire-fighting equipment of each building, repair and add various types of fire-fighting equipment. Jiangxi University of Technology and Guangdong Baiyun University hold large-scale fire drills on the annual fire prevention publicity day to enhance the fire safety awareness and self-rescue capability of teachers and students. Another example is in Fall 2020, Songtian Polytechnic College worked with the military training team to carry out fire emergency evacuation drills and fire knowledge training for freshmen, with more than 2,300 participants, enhancing students' fire awareness and self-rescue ability (picture below).

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4.3 Development and Training

4.3.1 General

The Group attaches great importance to employee training and development. In order to maintain and enhance staffs' teaching and management skills, the Group and its operating schools have formulated employee training programmes throughout the entire academic year based on the actual needs. The training activities focus on the dissemination of culture and the improvement of business capabilities. Taking the extraction and inheritance of experience as the goal, the training model of case analysis is mainly used to comprehensively upgrade employees' knowledge reserves and business. The Group strongly encourages teaching staff to participate in preemployment training, as well as professional trainings that lead to professional teacher and counsellor qualifications, academic lectures, and innovation and entrepreneurship trainings. The Group also encourages them to participate in forums, seminars, meetings and professional training in other disciplines, as well as overseas exchange opportunities.

During the reporting period, our training programmes and projects at **Group-level** mainly include:

Internal training delivered by the Group

The functional departments of the Group regularly carry out internal training to improve business capabilities and management skills.

Department	**Internal training delivered**
Finance Department	Regularly provided guidance and training to member schools' comprehensive budget management, operation-financial integration financial analysis, budget management in the ERP system, capital and financing finance and other business systems
Internal Control Department	Regularly carried out internal control risk management, internal control evaluation, labor relation and seal management business training to help the school continuously improve the work management and improve the level of risk prevention
IT Department	Carried out online training for key users of the operation and finance systems, and special training for self-developed systems such as data exchange platform, teaching material management, class hour management, payroll management, etc. on a periodical basis
Logistic Department	Conducted regular trainings on the Group's asset management, logistics income, campus construction, procurement business process and other businesses. During the reporting period, Nanchang organized on-site training for new management positions of logistics general affairs of member schools to help member schools further improve general logistics personnel managerial skills
Academic and HR Department	During the reporting period, the department organized and carried out the 839 School 2021 education and teaching sequence on-site training to help school staff improve their educational and teaching capabilities and professional qualities; held several exchanges and training sessions on integration of production and education, professional curriculum construction, and professional verification to improve the school In terms of school-enterprise cooperation, integration of production and education, professional curriculum construction, etc.; regularly carry out personnel management informationization, educational management system informationization and other business training for member schools to help schools further improve the level of teaching and personnel information management

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External training provided by the Group

In order to improve the professional management ability of our employees, the Group also actively sent employees to participate in external expert training. For example, The Finance Department participated in the study of "Learning from Huawei on Strategy-Based Comprehensive Budget and Cost Management" in Suzhou in October 2020. The Internal Control department participated in the project audit and case analysis training in Suzhou in October 2020, and participated in the training of the internal control and risk management system of Jielian Consulting Organization to escort the operation in Beijing in December 2020. The Logistics Department participated in practical procurement management technology and comprehensive procurement cost reduction training in Hangzhou in March 2021. In July 2021, the Marketing Department participated in the training on study abroad policies organized by the British Council's Cultural Committee in Shanghai in July 2021. In June 2021, the Academic and HR Department participated in the training held by 51job in Nanchang on the creation of headhunting thinking recruiters and comprehensive salary management.

During the reporting period, our training programmes and projects at **school-level** mainly include:

1. Encouraging teaching staff to obtain teacher qualifications and counsellor qualifications. For example, during the reporting period, Guangdong Baiyun University and Chongqing Institute of Foreign Studies have 63 and 33 newly recruited teachers respectively obtained the teacher qualification of university teachers. A total of 143 people from Zhengzhou Transit School have obtained the teacher qualifications of secondary vocational school.

2. Support and encourage our teachers to pursue master or doctoral degrees. For example, during the reporting period, Haikou University of Economics supported 71 teachers for their doctoral degrees studying as planned. Chongqing Institute of Foreign Studies supported three teachers for their doctoral degrees in accordance with the Measures for the Management of on-the-job Doctoral Training and the Measures for the Implementation of PhD Candidates Introduction, while Guangzhou College of Applied Science and Technology supported eight teachers in pursuing their master degrees and PhD degrees.

3. Short-term studies at domestic and foreign universities. For example, during the reporting period, Songtian Polytechnic College supported three outstanding teachers to go to first-tier universities for a one-year visit training. Baiyun Technician College and Zhengzhou Transit School respectively organized and selected 92 and 53 teachers to participate in relevant domestic and foreign teaching, scientific research, and management related training. Due to the epidemic, a combination of online and offline training methods was adopted.

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4. Practicing and serving temporary positions in enterprises. For example, Guangdong Baiyun University, Haikou University of Economics, Songtian Polytechnic College, and Zhengzhou Transit School appointed a total of 271 professional course teachers to use the summer vacation time to complete professional practice and temporary training in related industries and enterprises; after the end of practice, participated teachers can bring real projects and industrial experiences back to school and utilize and incorporate them in classroom teaching.

5. School-enterprise cooperation in production, learning and research. For example, Yantai Institute of Science and Technology has thoroughly implemented the guidelines of "School-Enterprise Cooperation, Industry-Education Integration", carried out school-enterprise cooperation with more than 100 companies, established off-campus practice bases, and cooperated with Yantai Municipal Bureau of Commerce and other organizations to host the 2021 "Shengtang Cup" Yantai Wine Tasting Skills Competition and Penglai District Wine Tasting Skills Competition. Another example: Chongqing Institute of Foreign Studies has signed cooperation agreements with many Import and Export organizations and many well-known companies to build more than 130 teaching and internship training bases (picture below).

6. Carrying out teaching skill training for teachers; encouraging teachers to participate in forums, seminars, meetings in other disciplines and professional training. For example: Haikou University of Economics organizes 422 teachers to participate in online training to improve the basic teaching skills of college teachers. Guangzhou Baiyun University held 18 workshops on teaching ability training, and sent teachers to participate in various conferences and professional training 56 times, aiming to promote teacher learning and exchanges.

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7. Pre-employment training for new employees. All our member schools carry out preemployment training for new teachers and counselors at the beginning of each academic year. Through centralized training, practice and follow-up training, we help new employees quickly familiarize themselves with school cultures and management procedures (such as teaching, research, HR, etc.) thus they can grasp the essentials of teaching methods and integrate them into teaching.

4.3.2 *Percentage of trained employees by gender and employee category*

During the reporting period, the Group provided on-the-job training that benefit employees' personal and professional development for a total of 4,730 staffs, accounted for 53.6% of total employees. Please refer to the following two tables for detailed disclosure by category:

Number and percentage (%) of employees who received training by gender

Gender		**Year ended 31 August 2021 (person(s), %)**	Year ended 31 August 2020 (person(s), %)
Male		**2,104 (23.8%)**	2,234 (25.3%)
Female		**2,626 (29.8%)**	2,523 (28.6%)
	Total:	**4,730 (53.6%)**	4,757 (53.9%)

Number and percentage (%) of trained employees by employee category

Employee Category		**Year ended 31 August 2021 (person(s), %)**	Year ended 31 August 2020 (person(s), %)
Senior management		**74 (0.9%)**	64 (0.7%)
Middle management		**654 (7.4%)**	411 (4.7%)
Other staff		**4,002 (45.3%)**	4.282 (48.5%)
	Total:	**4,730 (53.6%)**	4,757 (53.9%)

4.3.3 *Weighted average training hours completed per employee by gender and employee category*

During the reporting period, the weighted average training hours completed per employee of the Group was 41 hours. Please refer to the following two tables for detailed disclosure by category:

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Weighted average training hours completed per employee by gender

Gender	Year ended 31 August 2021 (hour(s))	Year ended 31 August 2020 (hour(s))
Male	**42**	39
Female	**40**	38
Weighted average training hours:	**41**	39

Weighted average training hours completed per employee by employee category

Employee Category	Year ended 31 August 2021 (hour(s))	Year ended 31 August 2020 (hour(s))
Senior management	**29**	25
Middle management	**33**	42
Other staff	**41**	39
Weighted average training hours:	**41**	39

Employment of employees with disabilities and employees with material family difficulties

The Group actively safeguards the employment opportunities for all types of people and prohibits discrimination in all aspects to ensure that every employee is respected and treated fairly. We are a disabled-friendly company and we actively solve the employment problem for the disabled. Under the same circumstances, we give priority to people with disabilities and people with material family difficulties in making hiring decisions. As at 31 August 2021, the Group had a total of 40 disabled employees and 28 employees with material family difficulties (As at 31 August 2020: 33, 8), respectively accounted for 0.4% and 0.3% of the total employees (As at 31 August 2020: 0.4%, 0.1%).

4.4 Labour Standards

4.4.1 General

The Group and its member schools prohibit and resolutely resist hiring child labour or forced labour and in strict compliance with the relevant labor law of their respective local jurisdictions, such as Labour Law of the People's Republic of China, Labour Contract Law, Teachers Law, and Law on the Protection of Minors. The Group has formulated specific recruitment and human resources policies that prohibit the use of child labour and forced labour. The Group also prohibits forced labour or servitude in any forms, and ensures that all employees work on a voluntary basis. The Group recruits staff based on an open, fair, justice, and voluntary basis, and prohibits the recruitment and employment through forced actions or fraudulence. During the reporting period, the Group was not involved in any illegal labour, child labour or forced labour.

4.4.2 Our measures and steps taken to eliminate child and forced labour

Our human resources departments examine the identity of job applicants and employees recruited, conducts inspection on child labour and illegal labour, performs detailed background check on high end talents and employees who hold key positions, and enters into contracts with all full-time employees in accordance with relevant laws and protects their legitimate rights and interests. If any non-compliance related to child labour and forced labour is found, the disciplinary supervision department and the management shall review the entire recruitment and management procedures, and identify the defects and make targeted improvement on relevant procedures to prevent the reoccurrence of similar incidents. Our member schools have never been involved in any illegal labour, child labour or forced labour since they were established.

Operation Practices

4.5 Supply Chain Management

4.5.1 General

As an education services provider, we engage our suppliers to provide us with office supplies, furniture, teaching devices and equipment, teaching material and supplementary teaching material and uniforms. In order to standardize the material supply procedures, to enhance the working efficiency, to facilitate the quality and efficient material supply, and to strengthen the supervision and management of partnered customers and lower the risks in relation to procurement, the Group has formulated the China Education Group Procurement Management Regulations (for Trial Implementation), China Education Group Implementation Rules of Procurement Management and the China Education Group Logistics Operation Guidance Manual, the China Education Group Bidding and Purchasing System 3.0 and other policies and guidelines to scientifically manage the school procurement. In addition, our schools have formulated the Procurement Management System, the Tendering Procedures for Equipment Procurement, supplier selection mechanism, and other policies to scientifically manage of school suppliers.

The Group actively cooperates with suppliers to ensure the quality of purchased goods; apart from conducting periodic random inspection on product quality with suppliers, we explicit product quality assurance period on contracts and withhold at least 5% of the contract amount as quality assurance deposit. Group Logistics Department and most of our schools have established the *Qualified Supplier Databases* and introduced a competitive mechanism for qualified suppliers; most of our supplied goods has readily available substitutes and at least three back-up suppliers. We perform categorized management on suppliers through *Qualified Supplier Databases*, conduct "qualified supplier assessment/maintenance" on an annual basis, and discontinue the cooperation with unqualified suppliers in time.

Group Logistics Department implements "centralized procurement, local distribution" for large-scale in demand commodities. For goods with sporadic demand but large cumulative consumption, we enter long-term supply contracts with suppliers and implement long-term contract prices. Centralized procurement at Group level makes full use of economics of scale and effectively reduces procurement costs.

4.5.2 *Number of suppliers by geographical region*

During the reporting period, about 88% of the Group's suppliers are local suppliers (from the provinces/municipalities/states where our member schools are located).

Geographical region		**At 31 August 2021**	At 31 August 2020
PRC	Jiangxi Province	**259**	117
	Guangdong Province	**598**	505
	Henan Province	**83**	88
	Shaanxi Province	**110**	117
	Shandong Province	**77**	68
	Chongqing municipality	**52**	220
	Hainan Province	**21**	n/a*
Australia	New South Wales	**127**	137
Others	Others	**174**	99
	Total:	**1,501**	1,351

**Note: Haikou University of Economics and Affiliated Arts School of Haikou University of Economics were not yet our operating schools in 2019/20 academic year.*

4.5.3 *Practices of supplier engagement and implementation and supervision of such practices*

Our schools take into full consideration of the suppliers' environmental and social risk factors in supplier selection. The Group actively promotes a healthy and fair competitions among suppliers. Firstly, we will verify and conduct due diligence on the legitimacy (such as the validity of business license, tax registration certificate and organization code certificate), qualification, business scope and operating and financial results in last three years of relevant suppliers.

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We will then require the suppliers to provide quality examination reports, quality certification and other relevant materials of specific products for internal audit purpose. For example, in procurement of bedding products for students, we require the suppliers to provide quality examination certificates or reports issued by governmental authorities; and in procurement of furniture, electric appliances and teaching equipment, we examine the product quality certification provided by the suppliers.

国家竹木产品质量监督检验中心

检 验 报 告

验证码:037323　共 2 页 第 1 页

[illegible]	多层板	检验类别	委托检验
[illegible]	1220×2440 (mm)	商标	耀锦
[illegible]	优级品	生产日期(批号)	/
[illegible]	/		
[illegible]	南城栋梁材教学用具有限公司		
[illegible]	南城栋梁材教学用具有限公司		
[illegible]	江西省抚州市南城县株良镇	委托日期	2021-06-09
[illegible]	18296988777	电子信箱	/
[illegible]	/	样品基数	/
样品状态	正常	样品数量	1块
检验日期	2021-06-11至2021-06-18	检验地点	金沙二路1899号
[illegible]	GB/T 17657-2013《人造板及饰面人造板理化性能试验方法》		
检验结论	检验数据详见续页。 签发日期: 2021年06月18日		
备注	重庆外语外事学院家具项目		

批准: 审核: 主检:

江西省羽绒制品质量监督检验中心

检 验 检 测 报 告

防伪码: 176L22

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客供信息	委托单位	安徽衣思佳服饰有限公司 合肥市包河区金寨路136-19号		
	生产单位	——		
	产品名称	棉胎		
	纤维含量	100%棉		
	样品货/款号	——	型号规格	——
	安全技术类别	C类	商标	——
接样地点		本中心	等级	合格品
不确定度		——	样品描述	——
接样日期		2021-08-30	样品数量	4套
来样概况		完好	检验检测类别	委托检验
检验检测日期		2021-08-30~2021-09-02		
检验检测依据		GB18401-2010《国家纺织产品基本安全技术规范》 GB/T 35932-2018《被棉胎》		
检验检测结论		该样品经检验检测，符合GB18401-2010《国家纺织产品基本安全技术规范》，GB/T 35932-2018《被棉胎》要求，所检项目合格。 检验检测专用章 签发日期: 2021年		
备注		客户声明：销往江西科技学院1500套		

注：有关检验检测数据未经允许，委托单位不得擅自向社会发布

批准: 审核: 主检:

(Picture on the left) Chongqing Institute of Foreign Studies requires suppliers to provide test report of formaldehyde on bedding items.
(Picture on the right) Jiangxi University of Technology requires suppliers to provide test report for decomposable and carcinogenic aromatic amine dyes of the bedding items.

Our schools' procurement departments have matured and complete supplier engagement systems in place. For small amount procurements, we engage the suppliers based on the principle of "emphasizing on efficiency while ensuring quality" and make comparison among different suppliers for specific products. For example, the procurement of minor commodities, quotations from at least three suppliers are required and shall be subject to school's online approval. For large amount procurement, we assess and select the suppliers through public tender or competitive bidding procedures in strict accordance with relevant system of the Group and the schools. For example, the procurement departments shall select and engage the suppliers with full consideration of the product quality and price (such as horizontal comparison between local market price and proposed price, vertical comparison of price among different locations) based on the local market conditions, to achieve an equilibrium between product quality and price in procurement.

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4.5.4 *Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored*

The Group has been carrying out strict audit in identifying and eliminating social risks of suppliers from time to time. All suppliers are required to have good business reputation/record, sounded service team, completed tax paying record and solid accounting system, and no major safety or quality accident has occurred in the past three years. The Group requires its member schools to review the qualification of suppliers on the authoritative website when organizing bidding procurement, in order to exclude suppliers with higher social risks; Suppliers participating in bidding and procurement are required to sign a "Supplier Social Responsibility Statement" prohibiting the use of child labor and forced labor, and suppliers are required to provide safety, occupational health and environmental protection administrative permits related to their business operations. each contract signed with the supplier shall be accompanied by *Integrity Agreement*; when the supplier delivers goods, the purchasing department shall organize the asset and user departments to jointly inspect the goods and focus on inspecting Product inspection certificate, certificate of conformity and other materials, and sign for confirmation after inspection. At present, the Group utilize ERP system in managing the supply chain and all processes are generated by the presentation of documents. In the payment process, the Group's financial personnel will review the entire procurement process as well as the upstream documents, and payment is made according to the contract requirements upon the reviewal. For suppliers that fail to perform according to the requirements, fees will be deducted from the quality assurance deposit according to the contract.

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4.5.5 *Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored*

In bulk procurement, the bidding document template specifically requires suppliers to actively submit energy-saving, emission reduction, environmental labeling and other related materials of the products, and we take energy-saving as a priority in the bid evaluation process. All our centralized procurement suppliers are domestic first-tire enterprises and world top 500 enterprises, and their products must meet the national energy-saving standards. In addition, in order to reduce the idle or scrapping of assets, the Logistics Department has established a special platform, "logistics wise knowledge platform (後勤賢知平台)", to allocate and promote recycling member schools' idle assets to achieve secondary utilization as much as possible to reduce the impact of scrapped assets on the environment (pictures below).

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4.6 Service Responsibility

4.6.1 (a) We provide education services in strict compliance with relevant national laws

Our schools operate in accordance with the relevant education laws and regulations in their respective judications, such as the *PRC Education Law*, the *Law for Promoting Private Education*, the *Several Provisions on the Administration of Private Colleges and Universities*, the *Several Opinions of the State Council on Encouraging Social Power to Set up Education to Promote the Healthy Development of Private Education*, to provide high quality higher education and vocational education services, as well as accommodation, meal catering and other ancillary services.

4.6.1 (b) How do we ensure the objectivity of our enrollment advertisement?

We carry our enrollment advertisement and promote our schools mainly through the advertising on traditional mainstream media such as official website, newspaper, TV, and journals on higher education entrance examination published by provincial education authorities and on emerging media such as internet media, mobile newspaper, mobile application of mainstream media and official account on WeChat platform.

The Group and its member schools carry out promotional activities in strict compliance with relevant laws and regulations in their respective judications, such as the *PRC Education Law*, the *PRC Advertisement Law* and the *Provincial Measures on Filing and Management of Enrollment Advertisement of Private Colleges and Universities*, and have formulated the *Enrollment Information Approval and Publish Mechanism*, the *Enrollment Advertisement Content Management and Filing* and the *Enrollment Promotion Platform Maintenance and Management*, to make filing and effect management and control of the advertisement and promotional information. All advertisement and promotional information are accurate, objective, true and not misleading. We also actively seek advices and supervision from the supervisory personnel of provincial governments and the provincial enrollment supervision team. Our effort in objective advertising is highly recognised by students, parents and the public.

Our schools' enrollment (advertisement) plans for each academic year can only be implemented after receiving approval from the Group. In addition, some schools' enrollment advertisements are required to file to and receive approval from the relevant departments of the provincial government. For example, Yantai Institute of Science and Technology's enrollment regulations has been strictly reviewed by the Education Departments of Shandong Province, before it can be uploaded to the platform (Sunshine Gaokao/阳光高考) designated by the Ministry of Education for prospective students, as well as in the school enrollment information network, WeChat official account and other platforms, ensuring the enrollment information publicity completely transparent and free of misleading information.

4.6.2 *(a) Number of students who withdraw from our schools*

During the reporting period, a total of 6,083 students withdrew from our schools (withdrawal rate: 2.5%). The schools have made relevant refunds in accordance with relevant policies.

4.6.2 *(b) How do we respond to the complaints from the students and employees?*

During the reporting period, the Group received a total of 40 complaints from the employees and 641 complaints from the students. The increase is due to inclusion of student withdraw of newly acquired schools and difference in reporting periods. The complaints were mainly related to public facility repair and dissatisfied food taste in the canteens. The Group has taken active measures of improvement for reasonable requests.

In order to effectively protect the rights and benefits of our students and employees, our schools continuously maintain a channel for students and employees to express their demands and concerns. Firstly, the schools have set up president's mailbox (and other mailbox open to public) and have designated special personnel to handle various kinds of oral and written inquiries at different levels in order to receive all kinds of feedbacks from the public, students and staff. Secondly, the schools hold the "Meeting with the Principal Day" and student forums once every period to collect the problems and concerns raised by the students. We listen to and solve the students' problems on study and daily life in a timely manner, and encourage students to fully participate in the schools' daily management, to enhance the level of democratic management of the schools. Thirdly, some schools have refined the *Students Complaints Handling Rules* and the *Whistleblower Complaint Protection Rules*. During the reporting period, the Group was not involved in any material litigations, complaints, disputes or negative news coverage.

4.6.3 *Safeguard and protection of our intellectual property rights*

The Group and its member schools strictly compliant with the relevant intellectual property laws in their respective judications, such as the *PRC Patent Law* and the *PRC Implementation Rules of Patent Law*, to protect the intellectual property rights of schools and students. In addition, a majority of our schools have also introduced and implemented their respective *Administrative Measures for Scientific Research* and *Administrative Measures on Intellectual Property Rights*. During the reporting period, the Group was not involved in material complaints or disputes related to intellectual property rights.

Environmental, Social and Governance Report

During the reporting period, our higher education institutions' efforts to safeguard and protect the intellectual property rights of the schools include: (1) To improve the management of intellectual property rights. The schools have set up Research Management Departments to be responsible for the application, protection, and transfer of the intellectual property rights of schools. The schools have also maintained intellectual property rights conversion agency, which comprises of a dedicate team to promote the intellectual property rights conversion and coordinate the disputes caused by intellectual property rights, protecting the intellectual property rights of the schools. In addition, the schools have also established a patent application fund for intellectual property rights to subsidize the intellectual property innovation activities, and the maintenance and improvement of patents at later stages; (2) To well protect the intellectual property documents of the schools. We have strengthened the promotion and learning of the confidentiality so that teachers and students can clearly identify the bottom line that they cannot reach, and clearly define their own activities so as to better protect their intellectual property rights. Respective academic departments and research institutes appoint specialized personnel to archive and backup the laboratory results, scientific research results, confidential files of the archives and competitive scientific research items. (3) The schools implement graduation project (graduation dissertation) review. We will educate the students and ask the students to modify or rewrite the graduation dissertation for which the repetition rate exceeds the standard. If there are serious acts of plagiarism, we will handle it in accordance with the *Measures for the Prevention and Handling of Academic Misconduct in Colleges and Universities and the Implementation Rules of handling Measures for Dissertation Fraud*.

We protect both internally-developed and external intellectual property rights of educational resources. Our schools have issued *Management Regulations for Teaching Materials* to ensure the textbooks used are all ordered from authorized publishers, and we have purchased online resources such as CNKI and Chaoxing for our teachers to ensure the teaching materials and educational resources they use are those with copyrights.

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4.6.4 *(a) How do we maintain consistent high-quality education?*

To provide high-quality education service to students has always been our relentless pursuit. Firstly, our schools have formulated and implemented the *Teaching Standards for Teachers*, the *Guidance on Curriculum Revision*, the *Measures on Identification and Handling of Teaching Non-Compliance*, the *Scoring Measure on Teaching and Teaching Management* and other rules and systems. Through the management system, our schools have specified the quality standards of formulation (and revision) of cultivation proposals, formulation (and revision) of course syllabus, teaching preparation, teaching research, classroom teaching, teaching organization, after-class tutoring, homework review, teaching practices and other teaching procedures, and have formed a complete and standardized system of teaching management and teaching quality assurance, as well as handling procedures and appealing review procedures for noncompliant teachers. Secondly, periodic inspections are conducted at different phases. At the beginning of semester, our schools will carry out initial teaching examination with focus on examining the compilation of course syllabus, class preparation by teachers, teaching PPT preparation and plans for teaching research activities by the teaching research office. In the middle of semester, schools will carry out mid-term teaching examination with focus on examining the implementation of activities of the teaching research office, implementation of curriculum instruction, completion of research report and guidance on dissertation preparation. At the end of semester, schools will carry out final examination with focus on examining the content of test papers and teachers' procedural assessment on students. In addition, we will conduct online mutual evaluation on teaching and learning experience between teachers and students for every academic year and publish the year-end evaluation. Thirdly, schools will hold periodic meetings to discuss teaching quality. Through preparation of briefing reports and meetings, we receive and review feedbacks to solve the problems and improve the quality.

Our schools have formulated the *Exam Management Rules*, *Exam Paper Management Measures*, the *Student Assessment Measures* and other management systems to standardize the organization and implementation of tests and to prevent the occurrence of accidents related to security and confidentiality of examination rooms and test paper due to human error.

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4.6.4 (b) Teaching quality management

We adhere to the "student-oriented" teaching strategies and the quality management philosophy of "continuous improvement" to build a teaching quality assurance system. The Group attaches great importance to the assurance and improvement of teaching quality; we safeguard our quality management mainly through the following two aspects:

First, to maintain a well-established management system. During the reporting period, our schools have continuously improved the management systems in educational administration, teaching operation, student registry, teaching quality, practical teaching, examination, teaching file, classroom and teacher management. For example, Jiangxi University of Technology has more than 100 institutional documents including the *Management Manual for Teaching*, the *Compilation of Teaching Quality Monitoring Systems*, *Teacher's Manual* and *College Student's Handbook* in effect, while Guangdong Baiyun University has more than 100 institutional documents in *Undergraduate Teaching Management and Regulation*, more than 20 institutional documents in *Practical Teaching (at Enterprises) Management and Regulation*, and more than 40 standards in the *Compilation of Undergraduate Teaching Quality Standards*.

Second, to optimize the process management of quality control. We constantly improve the standards of personnel training and teaching quality and optimize the quality assurance system to monitor the quality of teaching. The schools adhere to the Teaching Evaluation as the starting point, and through the combination of campus assessment and off-campus assessment, comprehensively monitor the teaching and teaching management process and constantly stabilize the teaching quality. During the reporting period, Guangdong Baiyun University participated in the MOE undergraduate teaching quality assessment (教育部本科教學工作審核評估) and was rated as "Excellent" by the Education Department of Guangdong Province.

In addition, we collect comprehensive data and aim to assess information validity in real time. Our schools collect the basic status data of higher education each year and report it to the education authorities. Through undergraduate data collection and in-depth analysis and summary, we timely monitor the schools' core teaching data, which has become an important basis for the summarization and adjustment of teaching policies and measures and has helped schools to improve performance to the various indicators meet or even exceed the national standards.

For example, during the reporting period, Jiangxi University of Technology to conduct surveys and analysis on academic teaching, majors and curriculum, management and service, teaching conditions and study style, and campus culture. The analysis is based on 13,512 questionnaires mainly collected from undergraduate students, and the results concluded that the satisfaction rates for academic teaching, majors and curriculum, management and service, teaching conditions and study style, and campus culture are 96.65%, 92.64%, 95.46%, 94.61%, 96.57%, and 97.25% respectively. In addition, in the anonymous survey, students are most satisfy with the school's hygiene environment, school library resources, teachers' teaching level and teaching quality. In response to students' dissatisfaction, the school will continue to improve, summarize, and improve based on the actual situation to create the best possible academic environment for teachers and students. The collection, summary and analysis of various types of data provide an important basis for schools to summarize and adjust the teaching management system and measures.

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4.6.4 (c) Quality improvement

In order to achieve a dynamic quality control, our schools have formed a quality improvement model of timely feedback, dynamic management and continuous improvement. There are improvement procedures and mechanisms from finding problems, reporting problems, conducting rectification, reviewing rectification. For the problem of teaching quality, feedback will be provided in a timely manner, and relevant departments are required to carry out rectification. Based on the self-rectification of departments, the schools pay attention to the review of rectification. Our quality improvement of personnel training is mainly implemented in three levels: (1) Instant improvement through classroom monitoring, (2) Focused improvement through regular teaching inspections, and (3) Systematic improvement through quality evaluation. We examine and recover the teaching quality through quality improvement programmes.

All schools under the Group have set up a teaching quality supervision department. For example, Yantai Institute of Science and Technology has set up a teaching supervision and evaluation center that is responsible for carrying out teaching quality supervision work. The monthly teaching quality supervision situation is summarized and compiled into teaching quality on a monthly basis and is publicly available via the school website. Only in June 2021, Yantai Institute of Science and Technology arranged teachers to attend 139 lectures, and carried out special inspections for graduation thesis, lectures, teaching plans, course plan progress, and examination paper corrections. In addition, our schools conduct teaching and learning evaluations every semester. For example, in the Spring 2021, Yantai Institute of Science and Technology arranged 184 teachers to evaluate 204 administrative classes, and arranged 7,655 students to conduct instructor evaluation. Through the feedback data from both teachers and students, it provides an important basis for the improvement of school classroom teaching quality (picture below).

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4.6.4 (d) How do we ensure the physical health and safety of students?

In order to ensure the safe and stable development of students, our schools have issued the *Student Management Rules*, the *Measures on Assessment of Comprehensive Quality of Students*, the *Rules on Management of Class Attendance Rate*, the *Handling methods for students' violation of discipline*, the *Rules on Leave Application of Students*, the *Student Apartment Management Rules*, the *Housekeeping Standards in Student Dormitory*, and other management rules to regulate and procure our students to develop good, healthy behavior and habits during their time at school.

For example, Zhengzhou Transit School organizes and carries out female physiological health education and other theme classes every semester for targeted students, so that students can truly understand the meaning of self-respect and self-love (picture on the left). Another example is that Jiangxi University of Technology has successively issued or revised various regulations such as the *Daily Management Regulations for Student*, *Measures for Comprehensive Quality Evaluation of Student*, *Regulations on Student Dormitory Management Work, Student Dormitory Affairs and Hygiene Management Standards* and other related management regulations to standardize school student Behavioral habits such as study and life (picture on the right).

During the COVID-19 epidemic, our schools have established epidemic prevention and control centers and was issued the *Supervision plan on COVID-19 prevention and control*, the *Notice on strengthening the management of centralized air conditioning and ventilation systems in public area,* and the *Regulations on student dormitory management in the epidemic period*, to ensure the health and safety of our teachers and students.

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To ensure the campus safety, the schools have put great efforts in the following three aspects: firstly, focus on the management of areas with safety hazard (such as the campus gate, teaching buildings, dormitories and canteens) and assign security guards to patrol such areas; in addition, the schools conduct special inspection before and during major events, festivals and socially sensitive periods to eliminate security and safety hazard. Secondly, strengthen the technical protection facilities. For example, at 31 August 2021, Jiangxi University of Technology and Haikou University of Economics have installed approximately 3,200 surveillance cameras across the entire campuses to monitor all the teaching and residential areas. Thirdly, strengthen the security force. For example, Yantai Institute of Science and Technology's campus security force consists of 42 competed staff, patrol the campus on a daily basis. All its security guards are also volunteer firefighters who have carried out strict fire-fighting training, perform fire patrol inspection at any time.

Our schools organize safety education activities such as legal knowledge workshop, fire drills and safety knowledge promotion for our teachers and students throughout the year. For example, in the beginning of Fall semester, the schools invite legal experts to give lectures on legal knowledge to the freshman students, to educate them on relevant cases and the security situation in the campus neighborhood, to enhance their awareness of self-protection, and to deliver the promotional brochure of legal education prepared by the schools. In November, our schools carry out large-scale fire drill and invite the firefighters to the campus to provide training on fire safety and firefighting practices so as to enhance the fire safety awareness and self-rescue ability of teachers and students. In December, we cooperate with the provincial education department to organize Q&A sections on legal and safety knowledge for freshman students.

Baiyun Technician Institute has actively promoted the construction of a safety education management information resource platform and a territorially linked safety management system: launched the "face recognition" intelligent campus safety management system, online safety network services and education courses, and take the lead in establishing Anti-fraud school alliance and a campus anti-drug education base with the police department in Guangzhou.

The Group attaches great importance to food safety. We conduct daily inspection on the canteens in schools. The inspection covers food ingredient procurement and documentation, utensils sterilization and recording and food ingredient storage, etc. Meanwhile we maintain a good document filing and sorting system (for food safety database). For example, Jiangxi University of Technology's canteens adopt the sample retention system, which keeps samples of all food served in any day in the refrigerator for 24 hours for easy tracking. In order to strengthen the training on food safety, the schools invite experts from the municipal food and drug administration to provide training to the staff every year, thereby enhancing their awareness of food safety, regulating the food safety operating procedures and protecting the physical health of teachers and students.

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4.6.4 *(e) How do we ensure the psychological health of students?*

The Group strikes to promote students' all-round and healthy development especially in mental health and good social adaptability training. For example, Jiangxi University of Technology and Songtian Polytechnic College include psychology as elective course into talent training curriculum, and carries out mental health exam and establishes database for freshmen annually. Likewise, all our schools have psychological counseling rooms and provide counseling services to students. In addition, we regularly organize activities such as "Mental Health Promotion Month" and "Psychological Carnival" to create a campus atmosphere that embrace psychological education so that students can cultivate positive mental well-beings though participating in interesting activities.

4.6.5 *(a) Consumer and employee data protection and privacy policy*

The Group strictly implements the Provisions on the *Administration of Internet Forum and Community Services*, the *Provisions on the Administration of Internet Comments Posting Services and the Provisions on the Administration of Internet Group Information Services*. The service providers of Internet forum community, comments posting, and group information shall take necessary measures to protect the safety of the personal information of users and shall not disclose, falsify, damage or illegally sell or provided such information to others. We strictly follow the relevant national laws and regulations related to the protection of personal information, especially for works that involving personal information of teachers and students, and the privacies of them and their families shall not be involved. For the promotion that involve teachers and students, we need to obtain the consents of teachers and students first. No personal sensitive information of teachers and students, such as ID number, home address, telephone number, date of birth, etc., shall be released to the public. The Group and its subsidiary schools do not rent, sell or provide students and employee data to third parties for purpose other than legitimate business needs.

To ensure the personal data safety of students and safeguard the safety and interests of the Group, the Group and its member schools strictly implement the requirements of the *Notice on Prohibiting Publicizing Sensitive Personal Information of Teachers and Students*, as well as the *Student Management Provisions*, the *Implementing Rules for the Management of Teaching Archives*, the *Administrative Measures for Informatization Data and the Administrative Measures for the Change of Basic Information of Students' Enrollment Status* issued by the schools, to protect personal information security. We also have signed confidentiality agreements with staff who involved in the safety and privacy of student information, effectively protects the privacy of students and the Group from information leakage in any form. In addition, each school will also conduct regular training to educate teachers and employees to strictly abide confidentiality obligations and respect student privacy. We strictly implement our work according to the rules and regulations. For student-related information, we set permissions according to different levels of confidentiality with no one has the permission to read and use. If the privacy of the students and the Group is leaked, the Group will promptly take remedial actions and penalize the responsible individuals accordingly.

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4.6.5 (b) Critical data protection and back-up

The Group attaches great importance to data protection and issues the *Corporate Information Security Management Regulation*, which takes strict protection measures for critical data and is committed to creating a secure and stable data environment. In order to ensure the safety and stability of critical data of the Group, critical operation, accounting, personnel and asset information of the Group and its member schools must be handled in the ERP system, and relevant departments of the Group are responsible for the access control. In addition, the Group Information Department takes a variety of security measures for the data center, such as deploying SSL VPN, deploying security group strategy, data backup in two cities, and keeping 180 days of logs according to the national requirements, etc.

4.7 Anti-corruption

4.7.1 General

The Group resolutely opposes illegal operations such as bribery, extortion, fraud and money laundering and prohibits any actions that may harm the interests of our customers and the Group. The Group strictly abides by national and regional anticorruption laws and regulations, including the *PRC Criminal Law*, the *PRC Anti-Money Laundering Law*, the *PRC Anti-unfair Competition Law*, the *PRC Securities Law*, and the *PRC Criminal Procedure Law and the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues concerning the Application of Law in the Handling of Criminal Cases of Embezzlement and Bribery*, etc. We also formulated internal policies, such as *Notice on the Duties of the Printing Department (Compilation) and the Provisions on Employees' Compensation and Penalty, Notice on Prohibition of Accepting Gifts, Gift Money and Flowers and Honesty and Self-discipline Commitment of the Faculty*, in order to regulate the professional behaviors and professional ethics of all employees of the Group, to establish a good atmosphere of integrity and diligence and to prevent frauds.

We have included the rules on integrity and self-discipline as the teaching staff's professional ethics and code of conduct in the relevant human resource policies. Integrity and self-discipline are not only important factors in selection and appointment of middle management for our schools, but also part of year-end evaluation. The compliance of integrity and self-discipline is also an important part of the evaluation, the results of which are correlated to bonuses.

During the reporting period, the Group and our employees did not involve any cases related to bribery, extortion, fraud, or money laundering.

4.7.2 Preventive measures and whistle-blowing procedures, and related implementation and monitoring methods

For bribery, extortion, fraud and money laundering, the Group takes precautionary measures as the main measure and monitoring/reporting as the supplementary measures.

The precautionary measures include:

- The integrity and self-discipline education is included in the employee training plan and regular training at most of our schools. The heads of the departments in relation of party and administration matters and departmental cadres of designed entities shall regularly talk with employees. Meanwhile, senior management shall carry out conversations with employees who show signs of violating the regulations or committed violation.

- Establish and improve internal control for accounting, finance and assets, aims to prevent and resolve issues as early as possible. For general issues, we will warn and educate the relevant persons in timely manner and fully use methods such as inquiry letters, persuading talks and organization processing. For issues which have shown signs or tendency, we will handle them as early as possible and prevent the minor issues from becoming serious mistakes.

The monitoring/reporting measures:

- The whistle-blower can use report mailbox, WeChat, QQ telephone, telegrams, letters, face to face reports, etc., or can entrust others to report. The whistle-blower should, as far as possible, truthfully inform the supervisory authority of the alleged wrongdoer's name, department, and the specific circumstances and evidence of violations. After receiving relevant reports, the relevant school departments will carry out investigations, and after verification, they will propose handling suggestions and report them to the school leaders for approval and enforcement. For the violations of laws, the cases will be referred to the judicial authorities for handling. Those who intentionally fabricate facts by means of reports, falsely accuse others, or create troubles in the name of reports, interfere with the normal work of the supervisory authority, will be severely dealt with in accordance with relevant regulations, and in the case of constituting a crime, they shall be transferred to judicial authority for handling.

4.7.3 Description of anti-corruption training provided to directors and staff

During the reporting period, the anti-corruption training we provided to directors and employees mainly included:

Anti-corruption training provided	Training objectives/contents
Warning film education, professional lecture delivered by professionals	Employees should clearly understand the Group's anti-corruption policy and the importance of such policy
New recruits are required to receive anti-corruption education and training	Same as above
Conduct regular training on internal audit	Ensure the Group's internal control system effectively prevent potential corruption risks
"Honesty and integrity" is one of a compulsory assessment components in the employee annual performance appraisal	Aim to improve the integrity awareness of our employees through such assessment

4.8 Community Investment

4.8.1 General

Our schools have always adhered to the fundamental principle of "Educating People with Good Morals" to realize the well-rounded and comprehensive education, focusing on the growth of students, strengthening the education of ideals and beliefs of students, and continuously improving the sense of social responsibility and historical mission of students. During the reporting period, our schools have developed/refined and implemented a variety of policies that considered the interests of local communities.

For example, Yantai Institute of Science and Technology has formulated and implemented the *Regulations on the Management of Student League and the Regulations on the Activities of Youth Volunteers*, actively serving the local (Penglai City) public organizations such as disease prevention and control center, nursing home, scenic area, etc., with outstanding contributions over the years. Xi'an Railway College formulated and implemented the *Notice on Carrying out the Public Welfare Theme Month*. Guangzhou Songtian University formulated and implemented several documents such as the *Notice on Promoting Social Work Practice in Rural Areas in Summer* to actively guide students to participate in practice and contribute to the society.

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4.8.2 *Community contribution*

During the reporting period, while the Group and its member schools have operated in compliance with laws and integrity, they all have actively implemented corporate social responsibility in their respective communities and made great contributions to the development of community public welfare. For example, during the reporting period, the Group organized a number of social work events such as voluntary service at the local community and voluntary service activities for left-behind children, 29 blood donation events which received 1.06 million ml blood donated from over 6,607students and employees. Below are some of the highlights:

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5. APPENDIX

ESG Reporting Guide Content Index

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure Level: Full (✓) or None (✗) with remark
A. Environmental		
Aspect A1. Emissions		
General Disclosure	Policies and 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	✔, section 3.1.1
KPI A1.1	The types of emissions and respective emissions data	✔, section 3.1.2
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity	✔, section 3.1.3
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity	✔, section 3.1.2
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity	✔, section 3.1.2
KPI A1.5	Description of emission target(s) set and steps taken to achieve them	✔, section 3.1.4
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	
Aspect A2. Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	✔, section 3.2.1
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity	✔, section 3.2.2
KPI A2.2	Water consumption in total and intensity	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	✔, section 3.2.3
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	✔, section 3.2.4
Aspect A3. The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources	✔, section 3.3.1
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	✔, section 3.3.2
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	✔, section 3.4.1
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	✔, section 3.4.2

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Subject Areas, Aspects, General Disclosures and KPIs		Disclosure Level: Full (✓) or None (✗) with remark
B. Social		
Employment and Labour Practices		
Aspect B1. Employment		
General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	✔, section 4.1.1
KPI B1.1	Total workforce by gender, employment type, age group and geographical region	✔, section 4.1.2
KPI B1.2	Employee turnover rate by gender, age group and geographical region	✔, section 4.1.3
Aspect B2. Health and Safety		
General Disclosure	Policies and 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	✔, section 4.2.1
KPI B2.1	Number and rate of work- related fatalities occurred in each of the past three years including the reporting year	✔, section 4.2.2
KPI B2.2	Lost days due to work injury	✔, section 4.2.3
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	✔, section 4.2.4
Aspect B3. Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	✔, section 4.3.1
KPI B3.1	The percentage of employees trained by gender and employee category	✔, section 4.3.2
KPI B3.2	The average training hours completed per employee by gender and employee category	✔, section 4.3.3
Aspect B4. Labour Standards		
General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	✔, section 4.4.1
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	✔, section 4.4.2
KPI B4.2	Description of steps taken to eliminate such practices when discovered	
Operating Practices		
Aspect B5. Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	✔, section 4.5.1
KPI B5.1	Number of suppliers by geographical region	✔, section 4.5.2
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	✔, section 4.5.3
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	✔, section 4.5.4
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	✔, section 4.5.5

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Subject Areas, Aspects, General Disclosures and KPIs		Disclosure Level: Full (✓) or None (✗) with remark
Aspect B6. Product Responsibility		
General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	✔, section 4.6.1
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	✔, section 4.6.2
KPI B6.2	Number of products and service-related complaints received and how they are dealt with	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	✔, section 4.6.3
KPI B6.4	Description of quality assurance process and recall procedures	✔, section 4.6.4
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	✔, section 4.6.5
Aspect B7. Anti-corruption		
General Disclosure	Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	✔, section 4.7.1
KPI 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	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	✔, section 4.7.2
KPI B7.3	Description of anti-corruption training provided to directors and staff	✔, section 4.7.3
Community		
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	✔, section 4.8.1
KPI B8.1	Focus areas of contribution	
KPI B8.2	Resources contributed to the focus area	✔, section 4.8.2

Corporate Governance Report

The Board believes that good corporate governance is essential in enhancing the confidence of the Shareholders, potential investors and business partners and is consistent with the Board's pursuit of value creation for the Shareholders. The Company has applied the principles of the code provisions set out in the CG Code. During the year ended 31 August 2021, the Company has complied with all the code provisions set out in the CG Code.

THE BOARD

The Board has currently four Executive Directors, namely Mr. Yu Guo, Mr. Xie Ketao, Dr. Yu Kai and Ms. Xie Shaohua, and three INEDs, namely Dr. Gerard A. Postiglione, Dr. Rui Meng and Dr. Wu Kin Bing. All the Directors have profound knowledge and extensive experience in the business of the Group.

Structure, size and composition of the Board are reviewed from time to time to ensure the Board has a balance of skills and experience appropriate for the requirements of the business of the Group and there is a strong independent element on the Board to safeguard the interests of the Shareholders.

Save as Mr. Yu Guo is the father of Dr. Yu Kai and Mr. Xie Ketao is the brother of Ms. Xie Shaohua, there is no other relationship among members of the Board.

The profile of the Directors is set out in the "Directors and Senior Management" section of this annual report.

Responsibilities and Delegation

The Board, which is accountable to Shareholders for the long-term performance of the Company, sets the Group's overall objectives and strategies, monitors and evaluates the operating and financial performance and reviews the corporate governance practices and standard of the Group. The Board delegates the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the Executive Directors and members of senior management.

Major issues of the Company which are reserved for the decision of the Board include the approval of interim and annual results of the Group, payment of dividend, approval of any transaction which is discloseable under the Listing Rules, changes in the capital structure of the Company, appointment or removal of Directors, secretary or auditors of the Company.

The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate. The Board has also established the Audit Committee, the Nomination Committee and the Remuneration Committee to perform various responsibilities as delegated by the Board. Further details of these Board committees are set out below.

Co-Chairmen and Chief Executive Officer

The Co-Chairmen of the Board are responsible for the management of the Board. The Chief Executive Officer of the Company leads the day-to-day management of the business of the Group. There is a clear and effective division of responsibilities between the Co-Chairmen and the Chief Executive Officer to ensure a balance of power and authority.

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Major responsibilities of the Co-Chairmen include leading and overseeing the functioning of the Board, encouraging Directors to make active contribution and to develop effective communication with the Shareholders.

Major responsibilities of the Chief Executive Officer include implementing the strategies and development plans as established by the Board, managing and coordinating the overall business operation of the Group.

Appointment and Re-election of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association (the "Articles of Association").

In accordance with the Articles of Association, at each AGM of the Company, one-third of the Directors shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after the appointment and be subject to re-election at such meeting.

All INEDs are appointed for a specific term of three years and are subject to retirement and re-election at AGMs in accordance with the Articles of Association.

Independence of INED

The role of INEDs is to provide independent and unbiased opinions to the Board, giving adequate control and balances for the Group to protect the overall interests of the Shareholders and the Group. INEDs serve actively on the Board and the Board committees to provide their independent, constructive and informed comments.

The Company has received from each of the INEDs an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the INEDs meet the independence criteria set out in Rule 3.13 of the Listing Rules.

Corporate Governance Function

The Board is primarily responsible for the corporate governance functions of the Company, to develop the policies and practices on corporate governance and the compliance with the legal and regulatory requirements, to monitor the training and continuous professional development of Directors and senior management, to develop the code of conduct and compliance manual applicable to the Directors and employees, and to review the compliance with the CG Code and the disclosure in the Corporate Governance Report.

The Board will continuously evaluate and strive for continual development and improvement in the corporate governance practices of the Group.

Corporate Governance Report

Board Meetings

The Board meets regularly and at least four times a year. Notice of at least 14 days in advance for the regular Board meeting is given, and the agenda together with Board papers are sent to the Directors in a timely manner before the intended date of Board meeting. During the year ended 31 August 2021, four regular Board meetings were held.

Attendance at Meetings

The following table shows the attendance of the Directors at the Board, Board committees and general meetings held during the year ended 31 August 2021:

	Number of Meetings Attended/Held				
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM held on 23 February 2021
Executive Directors					
Mr. Yu Guo *(Co-chairman)*	4/4	–	–	1/1[C]	1/1
Mr. Xie Ketao *(Co-chairman)*	4/4	–	–	–	1/1
Dr. Yu Kai *(Chief Executive Officer)*	4/4	–	1/1	–	1/1
Ms. Xie Shaohua	4/4	–	–	–	1/1
INEDs					
Dr. Gerard A. Postiglione	4/4	3/3	1/1[C]	1/1	1/1
Dr. Rui Meng	4/4	3/3[C]	1/1	–	1/1
Dr. Wu Kin Bing	4/4	3/3	–	1/1	1/1

C — Chairman of the Board committee

BOARD COMMITTEES

The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing various aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are available on the websites of the Company and HKEXnews, and report to the Board on their decisions or recommendations made.

The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

Audit Committee

The Audit Committee comprises three members, namely Dr. Rui Meng, Dr. Gerard A. Postiglione and Dr. Wu Kin Bing, all of them are INEDs. The chairman of the Audit Committee is Dr. Rui Meng who possesses the appropriate professional qualifications and accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The principal duties of the Audit Committee include monitoring the integrity of the financial statements, reviewing the continuing connected transaction and the Company's financial control, risk management and internal control systems. The Audit Committee also acts as an important link between the Board and the Company's external auditor.

During the year ended 31 August 2021, three Audit Committee meetings were held. The major work performed by the Audit Committee includes the approval of the terms of engagement, fees and scope of services of the external auditor, the review of the audited consolidated financial statements of the Group for the year ended 31 August 2020, the unaudited condensed consolidated results of the Group for the six months ended 28 February 2021, the 2019/2020 audit completion report, the 2020/2021 interim review completion report, the continuing connected transactions, the work progress of the internal audit plan, the financial control, risk management and internal control systems of the Group and the adequacy of the accounting, internal audit and financial reporting functions of the Group, the assessment of the independence of the external auditor and the recommendation to the Board on re-appointment of the external auditor. The Audit Committee had a private session with the external auditor in the absence of management.

Remuneration Committee

The Remuneration Committee comprises three members, namely Dr. Gerard A. Postiglione, Dr. Rui Meng and Dr. Yu Kai. The chairman of the Remuneration Committee is Dr. Gerard A. Postiglione and majority of the members are INEDs.

The principal duties of the Remuneration Committee are to make recommendations to the Board in determining the policy and structure for the remuneration of Directors and senior management, on the remuneration packages of Executive Directors and senior management, on the remuneration of Non-Executive Directors and to review and approve the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time.

During the year ended 31 August 2021, one Remuneration Committee meeting was held. The major work performed by the Remuneration Committee includes the review of the performance condition and approval of the vesting of share options granted under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme and the review of the policy and structure of the remuneration of the Directors and senior management, the remuneration package of the Executive Directors and senior management and the remuneration of the INEDs.

Corporate Governance Report

Nomination Committee

The Nomination Committee comprises three members, namely Mr. Yu Guo, Dr. Gerard A. Postiglione and Dr. Wu Kin Bing. The chairman of the Nomination Committee is Mr. Yu Guo and majority of the members are INEDs.

The principal duties of the Nomination Committee are to formulate and review the nomination and Board diversity policies, review the size, structure and composition of the Board, assess the independence of INEDs, and to make recommendations to the Board on appointment or re-appointment of Directors and Board succession planning.

The Company has adopted a Board diversity policy to ensure that the Company will consider Board diversity in terms of, among other factors, gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge, when determining the composition of the Board, although Board appointment will be ultimately based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee monitors the implementation of the Board diversity policy and will review the policy from time to time to ensure its continued effectiveness.

The Company has also adopted a nomination policy which sets out the key selection criteria and nomination procedures. Nomination shall be made in accordance with the nomination policy and take into account the diversity aspects as set out under the Board diversity policy. In assessing the suitability of a candidate, factors including but not limited to the reputation for integrity, accomplishment and experience in the education industry, commitment in respect of sufficient time and relevant interest, diversity in all aspects, etc. will be considered. When the need to select or nominate Director arises, the Nomination Committee shall identify the suitable candidate and make recommendation to the Board for consideration and approval. In case of re-appointment of a retiring Director who, being eligible, offers himself/herself for re-election, the Nomination Committee will consider and, if appropriate, make recommendation to the Board for consideration.

During the year ended 31 August 2021, one Nomination Committee meeting was held to review the structure, size and composition of the Board, assess the independence of each INED and recommend to the Board on the re-election of the Directors retiring at the AGM.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration package of the Directors is backed up by formal and transparent policy. Directors are fairly paid and their remunerations are commensurate with their experiences, responsibilities, workloads, performances, as well as Group's performance. No Director is involved in deciding his/her own remuneration. While the Company maintains a competitive remuneration level to attract and retain Directors to run the Company successfully, it strictly enforces the Director remuneration policy and budgets carefully without paying the Directors more than necessary.

Details of the emoluments paid or payable to the Directors for the year ended 31 August 2021 are set out in note 11 to the consolidated financial statements.

Corporate Governance Report

The remuneration paid or payable to the senior management (excluding the Directors) by band for the year ended 31 August 2021 is set out below:

Remuneration Bands	Number of Employees
HK$1,500,001 — HK$2,000,000	2
HK$2,500,001 — HK$3,000,000	1

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Group's code of conduct to regulate the securities transactions of the Directors. Having made specific enquiries, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 August 2021.

CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

The Company periodically organises training courses and/or provides reading materials for the Directors, senior management and staff to develop and refresh their knowledge in areas which are relevant to the performance of their daily duties and the growth of the business of the Group under the changing economic environment.

During the year ended 31 August 2021, the Company organised training courses and/or provided reading materials to the Directors, senior management and the staff of the Group. The training received by the Directors during the year is as follows:

Name of Directors	Training on corporate governance, environmental, social and governance, and regulatory update
Executive Directors	
Mr. Yu Guo *(Co-chairman)*	✓
Mr. Xie Ketao *(Co-chairman)*	✓
Dr. Yu Kai *(Chief Executive Officer)*	✓
Ms. Xie Shaohua	✓
INEDs	
Dr. Gerard A. Postiglione	✓
Dr. Rui Meng	✓
Dr. Wu Kin Bing	✓

Corporate Governance Report

DIRECTORS' AND AUDITOR'S ACKNOWLEDGEMENT

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

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 August 2021.

Deloitte Touche Tohmatsu, the auditor of the Company, has acknowledged its responsibilities in the independent auditor's report on the consolidated financial statements for the year ended 31 August 2021.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

AUDITOR'S REMUNERATION

For the year ended 31 August 2021, professional fees paid or payable to Deloitte Touche Tohmatsu, the auditor of the Company, for audit and non-audit services provided to the Group are as follows:

Services	Fees charged *RMB'000*
Audit services	
Audit services	5,250
Non-audit services	
Interim review	1,700
Contractual arrangement review	150
Preliminary announcement review	100
Assurance service on a circular	1,600
Total	8,800

COMPANY SECRETARY

Mr. Mok Kwai Pui Bill is the company secretary and chief financial officer of the Company, the profile of Mr. Mok is set out in the "Directors and Senior Management" section of this annual report. Mr. Mok is a full-time employee of the Company and reports to the Co-chairmen and the Chief Executive Officer of the Company on corporate governance issues.

Mr. Mok confirmed that he had taken no less than 15 hours of relevant professional training for the year ended 31 August 2021.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for maintaining a sound and effective risk management and internal control systems and reviewing their effectiveness. The Group's internal control system is designed to ensure the schools' operations in compliance with the laws and regulations, the authenticity, fairness and completeness of the financial reports, to safeguard assets against misappropriation and unauthorised disposition and to enhance operational efficiency and risk prevention.

Review of the Group's internal controls covers major financial, operational and compliance controls, as well as risk management functions. The controls built into the risk management system are intended to manage significant risks in the Group's business. The Board is primarily in charge of managing the overall risks of our Group. Significant business decision that involves material risk exposures, such as expansion of the school network into new geographic areas and to enter into cooperative business relationships with third parties to establish new schools, are subject to assessment and approval of the Board.

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

The Company also has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Group and reports their findings to the Audit Committee and the Board. The Group has established an internal audit team to reinforce the supervision and inspection on the management of operational risks and effectively supervise the compliance management of our schools, while enhancing our capabilities in prevention of financial risks and business risks.

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

The Company is committed to improving the effective internal control and risk management systems and optimizing control over internal procedures, so as to ensure that each unit of the Group and the operation and management process are under control, thereby effectively preventing risks and enhancing risk resistance capabilities. The Group's internal audit function gives directions to the schools of the Group, oversees and improves their internal control system on an ongoing basis and sets up a regime for continuous monitoring and improvement. During the reporting period, the internal audit function continually assisted the schools in optimization of the internal control and risk management systems for its own reference in implementation of works in relation to internal control, and business management was continuously improved through the annual internal control evaluation. In addition, it has established a three-level inspection mechanism for internal control operations, which ensures the effective operation of the internal control system by way of self-inspection of departments, regular inspection of schools and special inspection of the Group. Internal audit was carried out within the Group to review and evaluate the appropriateness and effectiveness of business

Corporate Governance Report

activities, internal control and risk management of schools, so as to facilitate the governance improvement, value increase and target realization of schools by effective management recommendations. Additional personnel with professional experience and qualifications will be hired where necessary to support the expansion of our business operation. The Company will also engage external professional advisers to provide professional advice and guidance to our Group and to provide internal trainings to ensure our Directors and employees are kept up-to-date on any legal and regulatory developments. The internal audit function had provided trainings to the schools on topics related to the internal control with an aim to increasing their risk awareness. The Group strengthens process supervision and promotes internal control and risk management through budgetary control and information technology.

The Group's internal control system includes Three Lines of Defence in risk management, a well-established organizational structure with clearly defined lines of authority and an increasingly refined internal corporate management system (ERP system). Adopting the president accountability system under the leadership of the board, each of our schools is managed on a day-to-day basis by its president, who is assisted by several vice presidents responsible for one or more specific aspects of our schools' operations. The board of directors of each of our respective schools is responsible for the overall management and decisions on matters that are significant to each of our schools. The board of directors, president and vice presidents of our schools are required to manage the operation of the schools within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. They are also required to keep the management of the Company informed of the material development and to report on the implementation of the policies and strategies set by the Company on a regular basis. Each of our school has also designated the relevant personnel who will be responsible for monitoring the ongoing compliance with the relevant PRC laws and regulations that govern the business operations and overseeing the implementation of any necessary measures. Our schools have established an emergency response mechanism to cope with major emergencies in an effective manner.

Each of our schools in China has educational administration management and teaching quality monitoring personnel to provide support for the teaching of teachers and the learning of students. They carry out specialty construction and curriculum construction in accordance with national requirements, lead teachers to conduct teaching reform and practical training teaching, and improve professional know-hows and vocational skills of students. Moreover, they establish a feedback mechanism for evaluation of teaching by students and evaluation of learning by teachers, and organize teachers to evaluate learning results of students and students to evaluate teaching effects of teachers every semester, so as to achieve the objective of mutual promotion and mutual benefit in both teaching and learning.

Counsellors are appointed for each of our schools in China to provide assistance and guidance on students' academic and personal issues as well as ethical education during their study. Counsellors also regularly inspect the student dormitories to ensure an orderly, safe, clean and healthy living environment for our students and help students with social and behavioural issues to take care of their mental wellness. Our schools have also implemented complaint channels and established a task force comprising of the president and heads of school departments with a view to understanding, responding and resolving complaints from students.

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

Corporate Governance Report

The Group continues to strengthen its integrity building by signing integrity agreements to establish a strong ideological defense of integrity and compliance, continue to consolidate and improve the integrity and self-discipline awareness of the leaders and cadres of our schools, and eliminate violations of regulations and disciplines at the ideological level.

The Board will conduct a review on the effectiveness of the internal control and risk management systems of the Group at least once in a financial year. Such review shall cover all material controls, including financial, operational and compliance controls and risk management functions. The Board will also continually evaluate the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

The Board, through the Audit Committee, has conducted a review on the effectiveness of the Group's internal control and risk management systems for the year ended 31 August 2021 and is satisfied that such systems are effective and adequate. It has also reviewed and satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

COMMUNICATION WITH SHAREHOLDERS

The Company believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognises the importance of transparency and timely disclosure of its corporate information, which enables Shareholders and investors to make the best investment decision.

The Company maintains a website at www.chinaeducation.hk as a communication platform with Shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access. The memorandum and articles of association of the Company are available on the websites of the Company and HKEXnews. No changes have been made to the memorandum and articles of association of the Company since Listing. To facilitate communication between the Company and the investment community, the Company conducts briefings and meetings with institutional investors and analysts on a regular basis as well as media interviews and roadshows to provide up-to-date and comprehensive information of the Company.

Shareholders are encouraged to attend the AGM and have face-to-face interaction with the Directors. The 2021 AGM of the Company was held on 23 February 2021, the representative of Deloitte Touche Tohmatsu and all of the Directors attended the AGM. All resolutions proposed at the AGM were passed and the poll results were published on the websites of the Company and HKEXnews.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Propose a Person for Election as a Director

Pursuant to Article 113 of the Articles of Associations, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the principal office of the Company. The period for lodgement of the notices will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

If a Shareholder wishes to propose a person (the "Candidate") for election as a Director at a general meeting, he/she shall deposit a written notice (the "Notice") at the Company's principal office in Hong Kong. The Notice must: (i) include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules; and (ii) be signed by the Shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal information.

The period for lodgement of the Notice shall commence on the day after the dispatch of the notice of general meeting and end no later than seven days prior to the date of such general meeting. In order to allow the Shareholders to have sufficient time to consider the proposal of election of the Candidate as a Director, Shareholders who wish to make the proposal are urged to submit and lodge the Notice as early as practicable.

Convene an Extraordinary General Meeting

Pursuant to Article 64 of the Articles of Association, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition and sent to the Board or the company secretary at the Company's principal office in Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/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 shall be reimbursed to the requisitionist(s) by the Company.

Put Forward Proposals at General Meetings

Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraphs to consider the business specified in the requisition.

Put Enquiries to the Board

Shareholders may send any comments or inquiries to the Board by email to sprg_chinaeducation@sprg.com.hk or in writing to the company secretary at the Company's principal office in Hong Kong.

Directors and Senior Management

The Board consists of four Executive Directors and three Independent Non-Executive Directors.

EXECUTIVE DIRECTORS

YU GUO (于果), aged 59, was appointed as a Director in May 2017 and was redesignated as an Executive Director in August 2017. Mr. Yu is the co-chairman of the Board and the chairman of the nomination committee.

Mr. Yu is the founder and the chairman of the board of directors of Jiangxi University of Technology. He is a director of certain subsidiaries and consolidated affiliated entities of the Company.

Mr. Yu has over 27 years of experience in the education industry. He is actively engaged in the educational and civil affairs in the PRC. Key positions held by Mr. Yu include:

Period	Association	Position
March 1998 to March 2003	Ninth National People's Congress (第九屆全國人民代表大會)	Representative
July 2002 to present	Jiangxi Federation of Industry and Commerce (江西省工商業聯合會)	Vice Chairman
March 2003 to March 2008	Tenth National People's Congress (第十屆全國人民代表大會)	Representative
March 2008 to March 2013	Eleventh National People's Congress (第十一屆全國人民代表大會)	Representative
January 2008 to present	China Association for Private Education (中國民辦教育協會)	Vice Chairman
March 2013 to March 2018	Twelfth Jiangxi People's Congress (第十二屆江西省人民代表大會)	Member of the Standing Committee
March 2018 to present	Thirteenth Jiangxi People's Congress (第十三屆江西省人民代表大會)	Member of the Standing Committee
March 2013 to present	Jiangxi Youth Federation (江西省青年聯合會)	Honorary Chairman

Key awards received by Mr. Yu for his contribution to the development of education in the PRC include:

Date	Awards	Awarding Authority
November 1998	National Glorious Industry Career Award (中國光彩事業獎)	China Society for Promotion of the Guangcai Programme (中國光彩事業促進會)
November 2000	China's Top Ten Outstanding Young Persons (中國十大傑出青年)	All-China Youth Federation (中華全國青年聯合會), China Youth Development Foundation (中國青少年發展基金會) and ten other media organisations
September 2004	National Outstanding Education Worker Award (全國優秀教育工作者)	MOE

Directors and Senior Management

Date	Awards	Awarding Authority
April 2005	National Outstanding Worker Award (全國先進工作者)	State Council of the PRC
January 2007	National Award for Outstanding Non-Public Economic Establisher of Business in Communism with Chinese Characteristics (全國非公有制經濟人士優秀中國特色社會主義事業建設者)	All-China Federation of Industry and Commerce (中華全國工商業聯合會)

Mr. Yu graduated from the Master's programme in Business and Economics at the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in 1998. Mr. Yu completed the China Europe International Business School-Harvard Business School-IESE Business School Global CEO Programme for China in 2006.

Mr. Yu is the father of Dr. Yu Kai, an Executive Director and the chief executive officer of the Company.

XIE KETAO (謝可滔), aged 57, was appointed as a Director in May 2017 and was redesignated as an Executive Director in August 2017. Mr. Xie is the co-chairman of the Board.

Mr. Xie is the founder of Guangdong Baiyun University and Baiyun Technician College and is the chairman of the board of directors of both schools. He is a director of certain subsidiaries and consolidated affiliated entities of the Company.

Mr. Xie has over 32 years of experience in the education industry. He is actively engaged in the educational and civil affairs in the PRC. Key positions held by Mr. Xie include:

Period	Association	Position
February 2003 to January 2008	Ninth Guangdong Province Committee of the Chinese People's Political Consultative Conference (第九屆廣東省中國人民政治協商會議委員會)	Committee Member
August 2004 to July 2008	Guangzhou Vocational Technical Education Research Committee (廣州市職業技能教學研究會)	Vice Chairman (last position)
January 2008 to January 2013	Tenth Guangdong Province Committee of the Chinese People's Political Consultative Conference (第十屆廣東省中國人民政治協商會議委員會)	Committee Member
May 2008 to present	China Association for Private Education (中國民辦教育協會)	Vice Chairman
January 2013 to January 2018	Twelfth Guangdong People's Congress (廣東省第十二屆人民代表大會)	Representative
November 2020 to present	China Association for Private Education (中國民辦教育協會)	Vice Chairman of the Board of Supervisors

Directors and Senior Management

Key awards received by Mr. Xie for his contribution to the development of education in the PRC include:

Date	Awards	Awarding Authority
May 1999	Sixth Guangzhou Municipal Ten Outstanding Youth (第六屆廣州市十佳青年)	Guangzhou Municipal People's Government (廣州市人民政府)
December 2007	Outstanding Contribution Award to Chairmen in Private Schools (民辦學校董事長突出貢獻獎)	Guangdong Provincial Association for the Education Promotion (廣東省教育促進會)
December 2008	Individual Award for Outstanding Contribution for Guangdong Province Private Education (廣東省民辦教育傑出貢獻人物)	Southern Metropolis Daily (南方都市報)
June 2011	China Private Higher Education Outstanding Individuals (中國民辦高等教育先進個人)	China Association For Private Education (中國民辦教育協會)
September 2015	Guangdong Contemporary Private Education Sponsor Excellent Contribution Award (廣東當代民辦教育舉辦人突出貢獻獎)	Guangdong Society of Education (廣東教育學會), Guangdong Education Foundation (廣東省教育基金會) and Guangdong Provincial Institute of Contemporary Private Education Management (廣東省當代民辦教育管理研究院)

Mr. Xie graduated from the Master's programme in Vocational and Technical Education at the East China Normal University (華東師範大學) in 1999. Mr. Xie has also been a National Ministry of Labour and Social Security (中華人民共和國勞動和社會保障部) accredited Senior Vocational Counsellor (高級職業指導師) since March 2002.

Mr. Xie is the brother of Ms. Xie Shaohua, an Executive Director.

YU KAI (喻愷), aged 36, was appointed as an Executive Director and the chief executive officer of the Company in August 2017 and is a member of the remuneration committee. He has over 12 years of experience in the education industry.

Dr. Yu is a director of certain subsidiaries and consolidated affiliated entities of the Company. He is also a director of Jiangxi University of Technology.

Dr. Yu served as an educational consultant to the World Bank. He also provided research services to the Degrees Commission of the State Council of the PRC, the MOE Higher Education Department, the MOE Degree Management and Graduate Education Department and the Research Office of the Jiangxi People's Government. Dr. Yu has published 10 books in China, the US, Germany, Switzerland and Singapore and authored over 30 journal articles covering the topics ranging from policy, learning, financing, and investment in education. Dr. Yu served as a reviewer of textbooks for Cambridge University Press.

Directors and Senior Management

Key awards received by Dr. Yu include:

Date	Awards	Awarding Authority
June 2010	Shanghai Municipal Pujiang Talent Award (上海市浦江人才)	Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) and Shanghai Municipal Science and Technology Commission (上海市科學技術委員會)
December 2010	Outstanding Research and Consultation Report in Philosophy and Social Sciences Award (教育部高校哲學社會科學研究優秀諮詢報告)	MOE Department of Social Sciences (教育部社會科學司)
December 2010	Shanghai Municipal Outstanding Achievement in Philosophy and Social Sciences Award Second Class Award for Papers (上海市哲學社會科學優秀成果獎論文類二等獎)	Shanghai Municipal Award Selection Committee for Outstanding Achievement in Philosophy and Social Sciences (上海市哲學社會科學優秀成果評獎委員會)
September 2011	National Outstanding Achievement in Educational Sciences Research Award Second Class Award (全國教育科學研究優秀成果獎二等獎)	MOE
December 2012	Elected to join the New Century Outstanding Talent Support Plan (入選教育部新世紀優秀人才支持計劃)	MOE
December 2014	Jiangxi Provincial Outstanding Achievement in Teaching Award First Class Award (江西省教學成果獎一等獎)	Jiangxi Provincial Department of Education
November 2015	Jiangxi Provincial Outstanding Achievement in Educational Sciences Award First Class Award (江西省教育科學優秀成果獎一等獎)	Jiangxi Provincial Department of Education

Dr. Yu is an Adviser for PhD students and Post-docs at Shanghai Jiao Tong University in the field of Economics and Administration of Education.

Dr. Yu received his Bachelor of Engineering degree in Computer Science (First Class Honours) from the Queen's University of Belfast, his Master of Science degree and Doctor of Philosophy degree in Educational Studies from the University of Oxford. Dr. Yu received his Master of Business Administration degree in Finance from China Europe International Business School. Dr. Yu holds Corporate Director Certificate from Harvard Business School.

Dr. Yu is the son of Mr. Yu Guo, an Executive Director and the co-chairman of the Board. Dr. Yu is a director of Blue Sky BVI, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Directors and Senior Management

XIE SHAOHUA (謝少華), aged 58, was appointed as an Executive Director in August 2017.

Ms. Xie is a director of certain subsidiaries and consolidated affiliated entities of the Company. Ms. Xie is the vice chairman of the board of both Guangdong Baiyun University and Baiyun Technician College. Ms. Xie is also the vice principal of Guangdong Baiyun University.

Ms. Xie has more than 25 years of experience in the education industry. Key positions held by Ms. Xie include:

Period	Association	Position
April 2003 to October 2006	Seventh to Ninth Guangzhou Baiyun Committee of the Chinese People's Political Consultative Conference (廣州市白雲區第七一九屆政協委員會)	Member
January 2012 to January 2017	Twelfth Guangdong Committee of the Chinese People's Political Consultative Conference (廣州市第十二屆政協委員會)	Member

Key awards received by Ms. Xie include:

Date	Awards	Awarding Authority
September 1996	Excellent Educator of Guangzhou City Award (廣州市優秀教師)	Guangzhou Municipal Education Commission (廣州市教育委員會) and Guangzhou Education Foundation (廣州市教育基金會)
March 2008	Guangzhou Municipal Female Employee Excellence Achievement (廣州市女職工建功立業標兵)	Guangzhou Federation of Trade Unions (廣州市總工會)
August 2012	Award for honouring more than 20 years of services in technical education and vocational training in Guangzhou (從事廣州技工教育與職業培訓工作20年以上)	Guangzhou Human Resources and Social Security Bureau (廣州市人力資源和社會保障局)

Ms. Xie received her College Diploma in Chinese Language and Literature from the Guangzhou Amateur University (廣州業餘大學) in 1991 and graduated from the Master's programme in Vocational and Technical Education at the East China Normal University (華東師範大學) in 1999.

Ms. Xie is the sister of Mr. Xie Ketao, an Executive Director and the co-chairman of the Board.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

GERARD A. POSTIGLIONE, aged 70, was appointed as an INED in December 2017. Dr. Postiglione is the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee.

Dr. Postiglione has been an Emeritus Professor of The University of Hong Kong (HKU) since May 2020 and an Honorary Professor from July 2017 in the Faculty of Education, where he has been a Member of the Faculty Board since 1984. At the Southern University of Science and Technology (南方科技大學), he is a member of the academic committee at the Center for Higher Education Research since August 2018. Dr. Postiglione was Chair Professor in Higher Education of The University of Hong Kong Faculty of Education until June 2017, and was Associate Dean for Research of The University of Hong Kong Faculty of Education from December 2013 to July 2016. He was Director of the Wah Ching Centre for Research on Education in China, The University of Hong Kong from July 2002 to March 2005, and from 2008 to 2015. He is Coordinator of the Consortium for Higher Education Research in Asia, The University of Hong Kong since 2016.

Dr. Postiglione has been a consultant on higher education policy of the Asian Development Bank from 2009 to 2011, 2017 to 2018, 2018 to 2019, 2019 to 2020 and 2020 to 2021. He was a visiting fellow at Yale University from September to December 2003. Dr. Postiglione's academic books include *Crossing Borders in East Asian Higher Education, Asian Higher Education, Education and Social Change in China, Mass Higher Education Development in East Asia: Strategy, Quality and Challenges, Rural Education in China's Social Transition, Improving Transitions from School to University to Workplace* and *Education, Social Change, and Regional Development: Mainland China, Taiwan, and Hong Kong*.

Dr. Postiglione received his Bachelor of Science degree in 1972 and his Doctor of Philosophy Degree in 1980, both from the State University of New York.

RUI MENG (芮萌), aged 54, was appointed as an INED in December 2017. Dr. Rui is the chairman of the audit committee and a member of the remuneration committee.

Dr. Rui has been Professor of Finance and Accounting at China Europe International Business School since January 2012, and has held the title of Parkland Chair in Finance at China Europe International Business School since May 2019. Dr. Rui has been professionally designated as a Certified Financial Analyst (CFA) by the Association for Investment Management and Research since September 2000 and a Financial Risk Manager (FRM) by the Global Association of Risk Professionals since April 2010.

Dr. Rui is an independent director of Shang Gong Group Co., Ltd. (上工申貝（集團）股份有限公司), a company listed on the Shanghai Stock Exchange, an independent non-executive director of Country Garden Services Holdings Company Limited, a company listed on the Stock Exchange, an independent non-executive director of Landsea Green Properties Co., Ltd., a company listed on the Stock Exchange, and an independent non-executive director of Dexin Services Group Limited (德信服務集團有限公司), a company listed on the Stock Exchange. Dr. Rui was an independent director of Midea Group Co., Ltd. (美的集團股份有限公司), a company listed on the Shenzhen Stock Exchange, from September 2015 to September 2018, an independent director of Shanghai Winner Information Technology Co., Inc. (上海匯納信息科技股份有限公司), a company listed on the Shenzhen Stock Exchange, from November 2014 to May 2020, an independent director of COSCO Shipping Energy Transportation Co., Ltd. (中遠海運能源運輸股份有限公司), a company listed on both the Stock Exchange and Shanghai Stock Exchange, from June 2015 to June 2021, and an independent non-executive director of Sichuan Languang Justbon Services Group Co., Ltd. (四川藍光嘉寶服務集團股份有限公司), a company listed on the Stock Exchange, from June 2021 to August 2021.

Directors and Senior Management

Dr. Rui received a Bachelor of Economics degree in International Economics from the Institute of International Relations in Beijing in 1990 and a Master of Science degree in Economics from Oklahoma State University in 1993. Dr. Rui also received a Master of Business Administration degree in 1996 and a Doctor of Philosophy Degree in Business Administration from the University of Houston in the United States in 1997.

WU KIN BING (鄔健冰), aged 69, was appointed as an INED in December 2017. Dr. Wu is a member of the audit committee and a member of the nomination committee.

Dr. Wu was a staff member of the World Bank from September 1994 to October 2012. As Lead Education Specialist, she had worked on all subsectors of education, from early childhood education, to primary, secondary and tertiary education. She led in policy analysis, lending appraisal and project supervision in East Asia, South Asia, and Latin America and the Caribbean Region. Her World Bank and academic publications have dealt with the finance and efficiency of the education systems and public policies towards education.

After retirement from the World Bank, Dr. Wu helped found the UNICEF USA Northwestern Regional Board in January 2014 to raise fund and to advocate for the work of UNICEF for children around the world.

Dr. Wu received from Indiana University a Bachelor of Arts degree in 1972, a Master of Science degree in 1974 and a Master of Arts degree in 1976. Dr. Wu received a Doctor of Education degree from Harvard University in 1995. Dr. Wu served on the Editorial Board of Harvard Educational Review from 1987 to 1988, and then as Co-Chairperson of the Board from 1988 to 1989.

SENIOR MANAGEMENT

MOK KWAI PUI BILL (莫貴標), aged 60, joined the Group in May 2017 as the chief financial officer and was appointed as the company secretary in August 2017.

Mr. Mok has over 30 years' experience in accounting, finance and banking in Hong Kong and the PRC with specific expertise in managing financial and accounting operations, fund raising, investor relations and executing corporate strategy. Before joining the Group, Mr. Mok was the chief financial officer of Fortune Oil PLC from November 2011 to May 2017, a company then listed on the London Stock Exchange and voluntarily delisted in March 2015. Mr. Mok was also the chief financial officer of Far East Consortium International Limited from April 2004 to October 2010, a company listed on the Stock Exchange.

Mr. Mok is currently an independent non-executive director of Grand Ming Group Holdings Limited and was an independent non-executive director of PF Group Holdings Limited from January 2017 to December 2020, both companies are listed on the Stock Exchange.

Mr. Mok received his Bachelor of Arts Degree in Business Administration from the University of Washington in the United States in 1984 and a Master Degree in Business Administration from the Seattle University in the United States in 1987. Mr. Mok is a member of the American Institute of Certified Public Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Directors and Senior Management

LI RENYI (李仁毅), aged 36, joined the Group as vice president for strategic investments in May 2017.

Mr. Li has 13 years of experience in investment. Before joining the Group, Mr. Li worked at Prax Capital (普凱投資), a private equity firm, from June 2013 to April 2017 where he held various positions including vice president of investments, senior manager of investments and manager of investments. Mr. Li also worked as an investment manager at Shenzhen Oriental Fortune Capital Co., Ltd. (深圳市東方富海投資管理股份有限公司), a venture capital firm, from March 2012 to May 2013 and at China Renaissance (華興資本), a financial services provider, from June 2008 to May 2011 where he was financing manager and analyst.

Mr. Li received his Bachelor of Engineering degree in Information Security from Shanghai Jiao Tong University in 2008. Mr. Li received his Master of Business Administration degree in Finance from China Europe International Business School in 2017. Mr. Li has passed the Fund Practitioner Qualification Examinations (基金從業資格考試) held by the Asset Management Association of China (中國證券投資基金業協會) in 2016.

HU JIANFENG (胡劍鋒), aged 45, joined the Group in 2002. He is currently vice president for operation and is responsible for the operations of the Group.

Dr. Hu is a professor and supervisor for Master's research students. Dr. Hu has over 19 years' experience in higher education. His prior appointments include Dean, Director of Teaching Affairs, Director of Education Quality, Director of Research, and Vice President of a university in the Group.

Dr. Hu is an expert on the Panel of University Education Evaluation of the Ministry of Education, PRC.

Dr. Hu led research projects sponsored by National Natural Science Foundation, Emerging Engineering Education Projects of Ministry of Education, University-Industry Collaborative Education Projects of Ministry of Education, and Humanities and Social Sciences Projects of Ministry of Education. He has published about 200 journal articles and has about 30 patents. He has been awarded the Jiangxi Provincial Outstanding Achievement in Teaching Award First Class Award.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed herein, the Directors confirm that in relation to their profile, no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Report of the Directors

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 August 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the operation of private higher vocational and secondary vocational education institutions. Details of the activities of the principal subsidiaries and consolidated affiliated entities are set out in note 41 to the consolidated financial statements.

RESULTS AND BUSINESS REVIEW

The results of the Group for the year ended 31 August 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 142.

A fair review of the business of the Group during the year and its likely future development and outlook, important events affecting the Company that have occurred since the end of the financial year, an analysis of the Group's performance during the year using financial key performance indicators, discussions on the Group's environmental policies and performance, details regarding the Group's compliance with the relevant laws and regulations that have a significant impact on the Group, and the Group's key relationships with stakeholders who have a significant impact on the Group and on which the Group's success depends as required under Schedule 5 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) are set out in "Co-Chairmen's Statement", "Management Discussion and Analysis", "Environmental, Social and Governance Report" and "Corporate Governance Report" of this annual report and all such discussions constitute part of this report.

PRINCIPAL RISKS AND UNCERTAINTIES

Save as disclosed in the section headed "Risks relating to the Contractual Arrangements" in this report, the following list is a summary of certain principal risks and uncertainties facing by the Group:

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

- our business is heavily dependent on the market recognition of our brand and reputation and any damage to our reputation would materially and adversely affect our business. Negative publicity concerning our schools or our Group may adversely affect our reputation, business, growth prospect and our ability to recruit qualified teachers and staff.

- we face competition from existing players and industry consolidation in the PRC higher education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditures.

- unauthorised disclosure or manipulation of sensitive personal data, whether through breach of our network security or otherwise, could expose us to litigation or could adversely affect our reputation.

- we may expand our school network through acquisitions or cooperation with third party partners and may not be able to successfully execute such expansion strategy.

Report of the Directors

- we are subject to uncertainties brought by various laws and regulations which are applicable to private higher education industry in the PRC, in particular the Law for Promoting Private Education of the PRC. Relevant laws and regulations could be changed from time to time to accommodate the development of the education industry in the PRC.

The above is not an exhaustive list. Investors are advised to make their own judgement or consult their own investment advisors before making any investment in the Shares.

DIVIDEND POLICY

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our consolidated affiliated entities, which are incorporated in the PRC. Our consolidated affiliated entities must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to us. Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, our Company's subsidiaries must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include a general reserve and a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. PRC laws and regulations require private schools where the school sponsors require reasonable returns to make annual appropriations of 25% of net income to its development fund prior to payments of reasonable returns. Such appropriations are required to be used for the construction or maintenance of the school or for the procurement or upgrading of educational equipment. In the case of a private school where the school sponsors do not require reasonable returns, the school is required to make annual appropriations equivalent to no less than 25% of the annual increase of net assets of the school as determined in accordance with generally accepted accounting principles in the PRC. Sponsor of each of our schools does not require reasonable returns.

Except for that, we do not have any other dividend policy. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Our Board intends to recommend at the relevant shareholder meetings an annual dividend of no less than 30% of our profits available for distribution generated in each financial year. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

DIVIDEND

The Board recommends the payment of a final dividend of HK20.2 cents per ordinary Share for the year ended 31 August 2021 (for the year ended 31 August 2020: HK13.9 cents per ordinary Share) by cash to Shareholders whose names appear on the register of members of the Company on Thursday, 3 March 2022. The distribution equals to 50% of the adjusted net profit attributable to owners of the Company. Subject to the approval of the Shareholders at the forthcoming AGM, the final dividend will be paid on Monday, 14 March 2022.

Report of the Directors

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Tuesday, 22 February 2022. Notice convening the forthcoming AGM will be published and dispatched to the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

For the Forthcoming AGM

The register of members of the Company will be closed from Thursday, 17 February 2022 to Tuesday, 22 February 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the forthcoming AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 16 February 2022.

For the Proposed Final Dividend

The proposed final dividend is subject to the approval of the Shareholders at the forthcoming AGM. The register of members of the Company will be closed from Monday, 28 February 2022 to Thursday, 3 March 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at the aforementioned address for registration not later than 4:30 p.m. on Friday, 25 February 2022.

SHARE CAPITAL

On 15 January 2021 and 21 April 2021, 300,000 Shares and 350,000 Shares were issued for consideration of HK$1,935,000 and HK$2,257,500, respectively, as a results of the exercise of share options granted under the Pre-IPO Share Option Scheme of the Company.

On 1 February 2021, 21 April 2021 and 17 May 2021, 30,000 Shares, 30,000 Shares and 20,000 Shares were issued for consideration of HK$374,400, HK$374,400 and HK$249,600, respectively, as a results of the exercise of share options granted under the Post-IPO Share Option Scheme of the Company.

On 3 February 2021, 122,000,000 Shares were issued under the general mandate pursuant to the subscription agreement dated 26 January 2021 in respect of placing. The total net proceeds amounted to approximately HK$2.01 billion (net of related costs, professional fees and out-of-pocket expenses). For details, please refer to the section headed "TOP-UP PLACING AND SUBSCRIPTION" in this report.

Details of changes in the share capital of the Company during the year ended 31 August 2021 are set out in note 32 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 August 2021 are set out in note 14 to the consolidated financial statements.

Report of the Directors

DISTRIBUTABLE RESERVES OF THE COMPANY

Movements in reserves of the Company during the year ended 31 August 2021 are set out on pages 254 and 255 in note 42 to the consolidated financial statements.

Our reserves available for distribution to the Shareholders consist of share premium and retained profits. Under the Companies Law of the Cayman Islands and subject to compliance with the Articles of Association, the share premium account may be applied by the Company for paying distributions or dividends to the Shareholders if immediately following the date on which the distribution or dividend is proposed to be paid, we will be able to pay off our debts as they fall due in the ordinary course of business. As of 31 August 2021, the Company's reserve available for distribution to equity holders amounted to approximately RMB4,823 million.

DIRECTORS

The Directors during the year ended 31 August 2021 and up to the date of this report were:

Executive Directors

Mr. Yu Guo *(Co-Chairman)*
Mr. Xie Ketao *(Co-Chairman)*
Dr. Yu Kai *(Chief Executive Officer)*
Ms. Xie Shaohua

Independent Non-Executive Directors

Dr. Gerard A. Postiglione
Dr. Rui Meng
Dr. Wu Kin Bing

Each of the Executive Directors has entered into a service contract with the Company for a term of three years. Such appointment shall, subject to retirement and re-election as and when required under the Articles of Association, be automatically renewed for successive periods of three years until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing.

Each of our INEDs is engaged by an appointment letter with a specific term of three years, subject to retirement and re-election as and when required under the Articles of Association. The appointment letter may be terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

Under the Company's Articles of Association, all the Directors are subject to retirement by rotation and re-election at the AGM. Pursuant to Article 108 of the Company's Articles of Association, Mr. Yu Guo, Ms. Xie Shaohua and Dr. Wu Kin Bing shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM. None of the Directors offering themselves for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Company has received from each of the INEDs an annual written confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the INEDs are independent.

Report of the Directors

CORPORATE CHANGES

The Company has obtained approval from the Companies Registry of Hong Kong to use its full English and Chinese names "China Education Group Holdings Limited 中國教育集團控股有限公司" to carry on business in Hong Kong and withdraw the original trade name "ChinaEdu 中教常春藤" with effect from 16 June 2021.

The principal place of business of the Company in Hong Kong has been changed to Suite 6703–04, 67/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong with effect from 28 June 2021; and the address of the Company's registered office and principal share registrar and transfer office, Walkers Corporate Limited, in the Cayman Islands has been changed to Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1–9008, Cayman Islands with effect from 1 February 2021.

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

As at 31 August 2021, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests and Short Positions In Shares And Underlying Shares

Name of Director	Number of Shares/Underlying Shares: Personal Interests	Other Interests	Total	Approximate % of all Shares in Issue[1]
Yu Guo	(L)6,500,000[2]	(L)1,506,500,000[3][6]	(L)1,513,000,000	(L)66.57%
		(S)3,919,926[5][6]	(S)3,919,926	(S)0.17%
Xie Ketao	(L)6,500,000[2]	(L)1,506,500,000[4][6]	(L)1,513,000,000	(L)66.57%
		(S)3,919,926[5][6]	(S)3,919,926	(S)0.17%
Yu Kai	(L)6,500,000[2]	(L)750,000,000[7]	(L)756,500,000	(L)33.28%
		(S)1,959,963[7]	(S)1,959,963	(S)0.09%
Xie Shaohua	(L)6,500,000[2]	–	(L)6,500,000	(L)0.29%

L – long position
S – short position

Notes:

1. The calculation is based on the total number of 2,272,952,000 Shares in issue as at 31 August 2021.

2. These are long position interests in underlying Shares and represent the maximum number of share options which may be vested with the Directors under the Pre-IPO Share Option Scheme of the Company. Details of each of their share options are set out in the section headed "SHARE OPTION SCHEMES AND SHARE AWARD SCHEME" in this report.

Report of the Directors

3. Blue Sky BVI is the beneficial owner of the long position interests in 750,000,000 Shares. Blue Sky BVI is a company wholly-owned by Passionate Jade Holding Limited and which in turn is wholly owned by Cantrust (Far East) Limited as the trustee of a discretionary trust, namely Blue Sky Trust. Mr. Yu is the settlor and a beneficiary of the Blue Sky Trust. For the remaining 756,500,000 Shares/underlying Shares, please refer to note 6 below.

4. White Clouds BVI is the beneficial owner of the long position interests in 750,000,000 Shares. White Clouds BVI is a company wholly-owned by Shimmery Diamond Holding Limited and which in turn is wholly owned by Cantrust (Far East) Limited as the trustee of a discretionary trust, namely White Clouds Trust. Mr. Xie is the settlor and a beneficiary of the White Clouds Trust. For the remaining 756,500,000 Shares/underlying Shares, please refer to note 6 below.

5. Each of Blue Sky BVI and White Clouds BVI entered into an agreement authorising stock borrow with Credit Suisse AG, Hong Kong Branch ("CS") on 21 March 2019 to facilitate the Company's issue of convertible bond in March 2019. As at 31 August 2021, 1,959,963 Shares were lent by each of Blue Sky BVI and White Clouds BVI to CS. Each of Blue Sky BVI and White Clouds BVI beneficially held the short position interests in 1,959,963 Shares.

6. Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI entered into the concert party agreement to align their shareholding interests in the Company. Accordingly, each of Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI is deemed to be interested in the Shares/underlying Shares held by the other parties to the concert party agreement.

7. Dr. Yu Kai is a beneficiary of the Blue Sky Trust. His long position interests in 750,000,000 Shares and short position interests in 1,959,963 Shares were duplicated with the interests of Mr. Yu held under the Blue Sky Trust as disclosed above.

Directors' Interest In Associated Corporation

Name of Director	Nature of Interest	Name of Associated Corporation	Percentage of Shareholding in the Associated Corporation
Mr. Yu	Beneficial owner	Jiangxi University of Technology	100%
	Beneficial owner	Huafang Education	50%
Mr. Xie	Beneficial owner	Guangdong Baiyun University	100%
	Beneficial owner	Huafang Education	50%

Save as disclosed above, as at 31 August 2021, none of the Directors or the chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share options granted to the Directors under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme of the Company, at no time during the period was the Company, or its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Report of the Directors

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

As at 31 August 2021, so far as the Directors are aware, the following persons (other than the Directors and the chief executives of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Substantial Shareholders	Capacity	Total Number of Shares	Approximate % of all Shares in Issue[1]
Blue Sky BVI	Beneficial Owner[2][4]	(L)750,000,000 (S)1,959,963	(L)33.00% (S)0.09%
	Other interest[4][5]	(L)763,000,000 (S)1,959,963	(L)33.57% (S)0.09%
		(L)1,513,000,000 (S)3,919,926	(L)66.57% (S)0.17%
White Clouds BVI	Beneficial Owner[3][4]	(L)750,000,000 (S)1,959,963	(L)33.00% (S)0.09%
	Other interest[4][5]	(L)763,000,000 (S)1,959,963	(L)35.57% (S)0.09%
		(L)1,513,000,000 (S)3,919,926	(L)66.57% (S)0.17%
Passionate Jade Holding Limited	Interests in controlled corporation[2]	(L)750,000,000 (S)1,959,963	(L)33.00% (S)0.09%
Shimmery Diamond Holding Limited	Interests in controlled corporation[3]	(L)750,000,000 (S)1,959,963	(L)33.00% (S)0.09%
Cantrust (Far East) Limited	Trustee[2][3]	(L)1,500,000,000 (S)3,919,926	(L)65.99% (S)0.17%

L – long position
S – short position

Notes:

1. The calculation is based on the total number of 2,272,952,000 Shares in issue as at 31 August 2021.

2. Blue Sky BVI is the beneficial owner of the long position interests in 750,000,000 Shares and the short position interests in 1,959,963 Shares. Blue Sky BVI is a company wholly-owned by Passionate Jade Holding Limited and which in turn is wholly owned by Cantrust (Far East) Limited as the trustee of a discretionary trust, namely Blue Sky Trust. Mr. Yu is the settlor and a beneficiary of the Blue Sky Trust.

3. White Clouds BVI is the beneficial owner of the long position interests in 750,000,000 Shares and the short position interests in 1,959,963 Shares. White Clouds BVI is a company wholly-owned by Shimmery Diamond Holding Limited and which in turn is wholly owned by Cantrust (Far East) Limited as the trustee of a discretionary trust, namely White Clouds Trust. Mr. Xie is the settlor and a beneficiary of the White Clouds Trust.

Report of the Directors

4. Each of Blue Sky BVI and White Clouds BVI entered into an agreement authorising stock borrow with CS on 21 March 2019 to facilitate the Company's issue of convertible bond in March 2019. As at 31 August 2021, 1,959,963 Shares were lent by each of Blue Sky BVI and White Clouds BVI to CS. Each of Blue Sky BVI and White Clouds BVI beneficially held the short position interests in 1,959,963 Shares.

5. Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI entered into the concert party agreement to align their shareholding interests in the Company. Accordingly, each of Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI is deemed to be interested in the Shares/underlying Shares held by the other parties to the concert party agreement. The interests of Blue Sky BVI and White Clouds BVI were duplicated with the interests of Mr. Yu and Mr. Xie as disclosed under the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES' in this report.

Save as disclosed above, as at 31 August 2021, the Directors were not aware of any other persons (other than the Directors and the chief executives of the Company) who had an interest or short position in the Shares or the underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEMES AND SHARE AWARD SCHEME

The Company has adopted Share Option Schemes (Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme) and Share Award Scheme for the purpose of incentivising eligible participants for their contribution to the Group.

Pre-IPO Share Option Scheme

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme which was adopted and effective on 27 November 2017. The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as no share options would be granted under the Pre-IPO Share Option Scheme after the Listing.

Purpose

The purpose of the Pre-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Pre-IPO Share Option Scheme provides the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

Participants

Under the Pre-IPO Share Option Scheme, the Board may determine any directors and employees of any member of the Group, who the Board considers, in its sole discretion, have contributed or will contribute to the Group, to take up share options to subscribe for the Shares.

Report of the Directors

Maximum Number Of Shares Available For Issue

The overall limit on the number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Pre-IPO Share Option Scheme at any time shall not exceed 45,500,000 Shares, which represents approximately 1.90% of the total issued Shares as at the date of this annual report.

Maximum Entitlement Of Each Participant

Under the Pre-IPO Share Option Scheme, the Board shall be entitled to make an offer to any participant for the grant of an share option for the subscription of such number of Shares as the Board may determine.

Vesting And Exercising Period

The Board may in its absolute discretion makes an offer to a selected participant for the grant of an share option to subscribe for such number of Shares and on such terms as determined by the Board. The terms of the offer may include but are not limited to, any minimum period(s) for which an share option must be held and/or any minimum performance target(s) that must be achieved, before the share option can be exercised in whole or in part, and may include at the discretion of the Board such other terms either on a case by case basis or generally.

A share option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee which period shall not expire later than 10 years from the Listing Date.

Amount Payable On Application Or Acceptance Of Share Option

A share option may be accepted by a participant within ten business days from the date of the offer of grant of the share option. A nominal consideration of RMB1.00 is payable upon acceptance of the grant of a share option.

Exercise Price

The price for the subscription of Shares in relation to each share option granted under the Pre-IPO Share Option Scheme shall be such price as may be determined by the Board. A share option may be exercised in whole or in part by the grantee and the subscription price of the Shares shall be fully paid by the grantee to the Company upon exercise of the share option.

Life Of The Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted and effective on 27 November 2017 and valid up to 27 November 2017 (the "Pre-IPO Share Option Scheme Period"). After the expiry of the Pre-IPO Share Option Scheme Period, no further share options shall be offered or granted, but in all other respects the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto.

Report of the Directors

Movements in Share Options Granted Under The Pre-IPO Share Option Scheme

Movements in the share options granted under the Pre-IPO Share Option Scheme during the year are as follows:

	Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
					At 01/09/2020[1]	Granted	Exercised	Lapsed	At 31/08/2021[1]
Directors									
Yu Guo	14/12/2017	6.45	15/12/2018	15/12/2018 – 14/12/2027	2,000,000	–	–	–	2,000,000
			15/12/2020	15/12/2020 – 14/12/2027	2,000,000	–	–	1,500,000	500,000
			15/12/2021	15/12/2021 – 14/12/2027	2,000,000	–	–	–	2,000,000
			15/12/2022	15/12/2022 – 14/12/2027	2,000,000	–	–	–	2,000,000
Xie Ketao	14/12/2017	6.45	15/12/2018	15/12/2018 – 14/12/2027	2,000,000	–	–	–	2,000,000
			15/12/2020	15/12/2020 – 14/12/2027	2,000,000	–	–	1,500,000	500,000
			15/12/2021	15/12/2021 – 14/12/2027	2,000,000	–	–	–	2,000,000
			15/12/2022	15/12/2022 – 14/12/2027	2,000,000	–	–	–	2,000,000
Yu Kai	14/12/2017	6.45	15/12/2018	15/12/2018 – 14/12/2027	2,000,000	–	–	–	2,000,000
			15/12/2020	15/12/2020 – 14/12/2027	2,000,000	–	–	1,500,000	500,000
			15/12/2021	15/12/2021 – 14/12/2027	2,000,000	–	–	–	2,000,000
			15/12/2022	15/12/2022 – 14/12/2027	2,000,000	–	–	–	2,000,000
Xie Shaohua	14/12/2017	6.45	15/12/2018	15/12/2018 – 14/12/2027	2,000,000	–	–	–	2,000,000
			15/12/2020	15/12/2020 – 14/12/2027	2,000,000	–	–	1,500,000	500,000
			15/12/2021	15/12/2021 – 14/12/2027	2,000,000	–	–	–	2,000,000
			15/12/2022	15/12/2022 – 14/12/2027	2,000,000	–	–	–	2,000,000

Report of the Directors

	Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
					At 01/09/2020[1]	Granted	Exercised	Lapsed	At 31/08/2021[1]
Employees	14/12/2017	6.45	15/12/2018	15/12/2018 – 14/12/2027	1,100,000	–	650,000	–	450,000
			15/12/2020	15/12/2020 – 14/12/2027	1,100,000	–	–	825,000	275,000
			15/12/2021	15/12/2021 – 14/12/2027	1,100,000	–	–	–	1,100,000
			15/12/2022	15/12/2022 – 14/12/2027	1,100,000	–	–	–	1,100,000
Total					36,400,000	–	650,000	6,825,000	28,925,000

Notes:

1. These figures (except those relating to the vested share options) represent the maximum number of underlying Shares that may be vested with the grantee on vesting of his/her relevant share options. The actual number of underlying Shares that will finally vest with each relevant grantee may range from zero to such maximum number subject to the satisfaction of performance condition.

2. The weighted average closing price of the Shares immediately before the dates on which the share options were exercised was HK$16.98.

3. No share option was cancelled during the year ended 31 August 2021.

Save and except as disclosed above, no other share options have been granted or agreed to be granted by the Company under the Pre-IPO Share Option Scheme.

Post-IPO Share Option Scheme

The following is a summary of the principal terms of the Post-IPO Share Option Scheme adopted by the resolutions in writing of the Shareholders passed on 29 November 2017.

Purpose

The purpose of the Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

Participants

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted share options.

Report of the Directors

Maximum Number Of Shares Available For Issue

The total number of Shares which may be issued upon exercise of all share options to be granted under the Post-IPO Share Option Scheme and any other schemes is 200,000,000, being no more than 10% of the Shares in issue on the Listing Date (the "Post-IPO Share Option Scheme Mandate Limit") and represents approximately 8.37% of the total issued Shares as at the date of this annual report. Share options which have lapsed in accordance with the terms of the Post-IPO Share Option Scheme (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Post-IPO Share Option Scheme Mandate Limit.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (the "Post-IPO Share Option Scheme Limit"). No share options may be granted under any schemes of the Company if this will result in the Post-IPO Share Option Scheme Limit being exceeded.

The Post-IPO Share Option Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of the Shareholders in general meeting. However, the refreshed Post-IPO Share Option Scheme Mandate Limit cannot exceed 10% of the Shares in issue as at the date of such approval.

The Company may also grant share options in excess of the Post-IPO Share Option Scheme Mandate Limit, provided such grant is to specifically identified selected participant and is first approved by Shareholders in general meeting.

Maximum Entitlement Of Each Participant

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the share options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue (the "Individual Limit"). Any further grant of share options to a selected participant which would result in the aggregate number of Shares issued and to be issued upon exercise of all share options granted and to be granted to such selected participant (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders.

Where any grant of share options to a substantial shareholder or an INED of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange),

such further grant of share options must also be first approved by the Shareholders in a general meeting.

Vesting And Exercising Period

The Post-IPO Share Option Scheme does not set out any performance targets that must be achieved before the share options may be exercised. However, the Board may at its sole discretion specify, as part of the terms and conditions of any share option, such performance conditions that must be satisfied before the share option can be exercised.

The period during which a share option may be exercised is determined and notified by the Board to each grantee at the time of making an offer for the grant of the share option and such period shall not expire later than ten years from the date of grant of the share option.

Amount Payable On Application Or Acceptance Of Share Option

A share option may be accepted by a participant within 20 business days from the date of the offer of grant of the share option. A nominal consideration of HK$1.00 is payable upon acceptance of the grant of a share option.

Exercise Price

The amount payable for each Share to be subscribed for under a share option shall be determined by the Board but shall be not less than the greater of:

(i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(ii) the average closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share on the date of grant.

Life Of The Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme shall be valid and effective for the period of ten years commencing from the Listing Date (after which, no further share options shall be offered or granted under the Post-IPO Share Option Scheme), but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto.

Report of the Directors

Movements in Share Options Granted Under The Post-IPO Share Option Scheme

Movements in the share options granted under the Post-IPO Share Option Scheme during the year are as follows:

	Date of grant (dd/mm/yyyy)	Exercise price (HK$)	Vesting date (dd/mm/yyyy)	Exercise period (dd/mm/yyyy)	Number of share options				
					At 01/09/2020[1]	Granted	Exercised	Lapsed	At 31/08/2021[1]
Employees	08/03/2019	12.48	08/03/2020	08/03/2020 – 07/03/2029	395,000	–	40,000	–	355,000
			08/03/2021	08/03/2021 – 07/03/2029	592,500	–	40,000	–	552,500
			08/03/2022	08/03/2022 – 07/03/2029	790,000	–	–	–	790,000
			08/03/2023	08/03/2023 – 07/03/2029	987,500	–	–	–	987,500
			08/03/2024	08/03/2024 – 07/03/2029	1,185,000	–	–	–	1,185,000
	16/12/2019	10.76	16/12/2020	16/12/2020 – 15/12/2029	20,000	–	–	–	20,000
			16/12/2021	16/12/2021 – 15/12/2029	30,000	–	–	–	30,000
			16/12/2022	16/12/2022 – 15/12/2029	40,000	–	–	–	40,000
			16/12/2023	16/12/2023 – 15/12/2029	50,000	–	–	–	50,000
			16/12/2024	16/12/2024 – 15/12/2029	60,000	–	–	–	60,000
Total					4,150,000	–	80,000	–	4,070,000

Notes:

1. These figures (except those relating to the vested share options) represent the maximum number of underlying Shares that may be vested with the grantee on vesting of his/her relevant share options. The actual number of underlying Shares that will finally vest with each relevant grantee may range from zero to such maximum number subject to the satisfaction of performance condition.

2. The weighted average closing price of the Shares immediately before the dates on which the share options were exercised was HK$17.05.

3. No share option was cancelled during the year ended 31 August 2021.

Save and except as disclosed above, no share options have been granted or agreed to be granted by the Company under the Post-IPO Share Option Scheme during the year.

Report of the Directors

SHARE AWARD SCHEME

The following is a summary of the principal terms of the Share Award Scheme conditionally adopted by the resolutions in writing of our Shareholders on 29 November 2017. The Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

The issuance of new Shares pursuant to the Share Award Scheme is subject to the application by the Company and the granting by the Listing Committee of the Stock Exchange for the listing of and permission to deal in such new Shares.

Purpose

The purpose of the Share Award Scheme is to align the interests of the eligible participants of the scheme with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain the eligible participants to make contributions to the long-term growth and profits of the Group.

Participants

Any individual, being an employee, director, officer, consultant, adviser, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate (including nominees and/or trustees of any employee benefit trust established for them) who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group.

Maximum Number Of Shares To Be Granted

An award (the "Award") granted under the Share Award Scheme gives a selected participant a conditional right, when the Shares are vested, to obtain the Shares or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, the cash equivalent from the sale of the Shares. An Award includes all cash income from dividends in respect of those Shares from the date the Award is granted to the date the Award is vested. The Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Shares be paid to the selected participant even though the Shares have not yet vested.

Save that the Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Shares be paid to the selected participants even though the Shares have not yet vested, the selected participant only has a contingent interest in the Shares underlying an Award unless and until such Shares are actually transferred to the selected participant.

The maximum aggregate number of Shares underlying all grants made under the Share Award Scheme (excluding Shares which have been forfeited in accordance with the Share Award Scheme) is 40,000,000 Shares, being 2% of issued Shares of the Company as of the Listing Date (i.e. 2% of 2,000,000,000 Shares) (the "Share Award Scheme Limit") and represents approximately 1.67% of the total issued Shares as at the date of this annual report.

Report of the Directors

Maximum Entitlement Of Each Participant

Save as otherwise restricted by the Share Award Scheme Limit or the Listing Rules, there shall be no limit on the total number of non-vested Shares that may be granted to a selected participant under the Share Award Scheme.

Each grant of an Award to any Director or the chief executive officer shall be subject to the prior approval of the INEDs (excluding any INED who is a proposed recipient of the grant of an Award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Award to any connected persons of the Company.

Vesting

The Board may from time to time determine such vesting criteria and conditions or periods for the Awards to be vested under the scheme.

Life Of The Share Award Scheme

The Share Award Scheme shall be valid and effective for the period of ten years commencing from the Listing Date.

Awards Granted Under The Share Award Scheme

No awards have been granted or agreed to be granted by the Company since the conditional adoption of the Share Award Scheme on 29 November 2017.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 August 2021.

BORROWINGS

As at 31 August 2021, the Group has bank and other borrowings of approximately RMB6,091.2 million (31 August 2020: approximately RMB2,678.5 million). Details of which were disclosed in note 28 to the consolidated financial statements.

Report of the Directors

TOP-UP PLACING AND SUBSCRIPTION

August 2020

As at 31 August 2021, the net proceeds of approximately HK$2,002.5 million (net of related costs, professional fees and out-of-pocket expenses) brought forward from the subscription completed on 20 August 2020 have been fully utilised for (1) potential as well as announced acquisitions; and (2) expansion and development of the Group's existing and new campuses, which is consistent with the intentions previously disclosed in the Company's announcements.

The following sets forth a summary of the utilisation of the net proceeds from the subscription in August 2020 during the year ended 31 August 2021:

Purpose	Percentage to total amount	Net proceeds amount *RMB (million)*	Unutilised amount as at 1 September 2020 *RMB (million)*	Utilised amount during the year *RMB (million)*	Unutilised amount as at 31 August 2021 *RMB (million)*
Potential as well as announced acquisitions	65%	1,168.9	1,168.9	1,168.9	–
Expansion and development of the Group's existing and new campuses	35%	629.4	629.4	629.4	–
	100%	1,798.3	1,798.3	1,798.3	–

Further details of the top-up placing and the subscription are set out in the Company's announcements dated 10 August 2020 and 20 August 2020.

January 2021

On 26 January 2021, Blue Sky BVI, White Clouds BVI and the Company entered into a placing agreement (the "January Placing Agreement") with UBS AG Hong Kong Branch (the "Placing Agent") pursuant to which Blue Sky BVI and White Clouds BVI have agreed to appoint the Placing Agent, and the Placing Agent has agreed to procure independent placees (or failing which itself as principal) to purchase a total of 122,000,000 Shares at the placing price of HK$16.60 per Share (the "January Placing").

On the same day, Blue Sky BVI, White Clouds BVI and the Company entered into a subscription agreement (the "January Subscription Agreement"), pursuant to which Blue Sky BVI and White Clouds BVI agree to subscribe for, and the Company agrees to issue to Blue Sky BVI and White Clouds BVI the subscription shares equivalent to the number of placing shares at HK$16.60 per Share upon the terms and conditions set out in the January Subscription Agreement (the "January Subscription").

The January Placing and the January Subscription were completed on 29 January 2021 and 3 February 2021 respectively. The placing shares were issued to more than six independent placees and they are all independent investors. The net proceeds amounted to approximately HK$2,012.6 million (net of related costs, professional fees and out-of-pocket expenses) and have been and will be fully utilised in next twelve months for (1) potential acquisitions; and (2) expansion and development of the Group's new campuses in the Greater Bay Area, which is consistent with the intentions previously disclosed in the Company's announcements.

Report of the Directors

The Directors consider that the January Placing and the January Subscription will strengthen the capital base of the Company for (amongst others) its potential acquisitions as well as expansion and development of new campuses.

The aggregate nominal value of the subscription shares is HK$1,220 and the net subscription price is approximately HK$16.50 per Share. The subscription shares have a market value of approximately HK$2,205.76 million based on the closing price of HK$18.08 of the Shares on 26 January 2021, being the date of the January Subscription Agreement.

Purpose	Percentage to total amount	Net proceeds amount *RMB (million)*	Utilised amount during the year *RMB (million)*	Unutilised amount as at 31 August 2021 *RMB (million)*
Expansion and development of the Group's new campuses in the Greater Bay Area	70%	1,177.0	1,116.1	60.9
Potential acquisitions	30%	504.4	411.1	93.3
	100%	1,681.4	1,527.2	154.2

Further details of the January Placing and the January Subscription are set out in the Company's announcements dated 26 January 2021 and 3 February 2021.

October 2021

On 19 October 2021, Blue Sky BVI, White Clouds BVI and the Company entered into a placing agreement (the "October Placing Agreement") with the Placing Agent pursuant to which Blue Sky BVI and White Clouds BVI have agreed to appoint the Placing Agent, and the Placing Agent has agreed to procure independent placees (or failing which itself as principal) to purchase a total of 78,000,000 Shares at the placing price of HK$15.10 per Share (the "October Placing").

On the same day, Blue Sky BVI, White Clouds BVI and the Company entered into a subscription agreement (the "October Subscription Agreement"), pursuant to which Blue Sky BVI and White Clouds BVI agree to subscribe for, and the Company agrees to issue to Blue Sky BVI and White Clouds BVI the subscription shares equivalent to the number of placing shares at HK$15.10 per Share upon the terms and conditions set out in the October Subscription Agreement (the "October Subscription").

The October Placing and the October Subscription were completed on 22 October 2021 and 27 October 2021 respectively. The placing shares were issued to more than six independent placees and they are all independent investors. The net proceeds amounted to approximately HK$1,170.0 million (net of related costs, professional fees and out-of pocket expenses) and will be fully utilised in next eighteen months for potential acquisitions in the modern-vocational education space as previously disclosed in the Company's announcements.

The Directors consider that the October Placing and the October Subscription will further strengthen the capital base of the Company to continue executing its industry consolidation strategy.

Report of the Directors

The aggregate nominal value of the subscription shares is HK$780 and the net subscription price is approximately HK$15.0 per Share. The subscription shares have a market value of approximately HK$1,299.5 million based on the closing price of HK$16.66 of the Shares on 19 October 2021, being the date of the October Subscription Agreement.

Further details of the October Placing and the October Subscription are set out in the Company's announcements dated 19 October 2021 and 27 October 2021.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Schemes and Share Award Scheme as set out in the section headed "SHARE OPTION SCHEMES AND SHARE AWARD SCHEME" above in this report, the January Placing Agreement and the January Subscription Agreement as mentioned in the section headed "TOP-UP PLACING AND SUBSCRIPTION" above, the subscription agreement dated 21 March 2019 in respect of the issue of convertible bonds due 2024 as detailed in the section headed "USE OF NET PROCEEDS FROM THE ISSUE OF CONVERTIBLE BONDS DUE 2024" in this report and the acquisition agreement (as mentioned in below paragraph), no equity-linked agreements were entered into by the Company during or subsisted at the end of the financial year.

The Group had entered into an acquisition agreement dated 26 July 2021 in respect of the acquisition of 100% shares in Long Link Investment Limited at a total consideration of RMB2,445,800,000. The consideration shall be satisfied (i) as to RMB1,675,800,000 in cash; and (ii) as to approximately RMB770,000,000 by the allotment and issue of 58,996,455 consideration shares at issue price of HK$15.6880 per Share. Certain conditions have to be fulfilled or waived before the Company issues the consideration shares. As at the date of this report, 38,309,387 Shares have been allotted and issued. Please refer to the Company's announcements dated 26 July 2021, 10 August 2021 and 14 September 2021 for details of the transaction and conditions.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Save as disclosed in this report, no transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries was a party and in which a Director or his/her connected entity was materially interested, whether directly or indirectly, subsisted at any time during or at the end of the financial year.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the Group's business subsisted during the year ended 31 August 2021.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the year, save as disclosed in the section headed "Continuing Connected Transactions" in this report, no contracts of significance to which the Company or any of its subsidiaries was a party and in which any controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

Our customers are primarily our students. For the year ended 31 August 2021, the percentage of revenue attributable to the Group's five largest customers combined were less than 30% of our revenue.

Our suppliers primarily comprise book suppliers, teaching equipment vendors, human resources services providers, equipment and materials vendors. For the year ended 31 August 2021, the percentage of purchases attributable to the Group's five largest suppliers combined were less than 30% of our cost of revenue.

CONNECTED TRANSACTION

On 16 December 2020, Shangzhi Education as purchaser, Ganzhou Yousheng Investment Center (Limited Partnership) (贛州友盛投資中心(有限合夥)) as vendor and the warrantors (Mr. Cai Jianlin (蔡建林) and Mr. Xi Pengbin (惠鵬斌)) entered into a sale and purchase agreement pursuant to which the vendor agreed to sell and Shangzhi Education agreed to acquire 28% equity interests in Ganzhou Xitie Education, which indirectly owns the entire school sponsor interest of Xi'an Railway College, at a total consideration of RMB308,000,000.

As at the date of the agreement, Ganzhou Xitie Education is owned by Shangzhi Education, the vendor and Mr. Xi Pengbin (惠鵬斌) as to 62%, 28% and 10%, respectively.

As one or more of the applicable percentage ratios (as set out and calculated under Rule 14.07 of the Listing Rules) in respect of the transaction is more than 5% but all of them are less than 25%, the transaction constitutes a discloseable transaction for the Company.

As at the date of the agreement, Ganzhou Xitie Education is a non-wholly owned consolidated affiliated entity of the Company. The vendor, a substantial shareholder of Ganzhou Xitie Education, is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the transaction also constitutes a connected transaction for the Company.

As at the date of this report, Shangzhi Education owns in aggregate 90% of the equity interests in Ganzhou Xitie Education. For details of the transaction, please refer to the Company's announcement dated 16 December 2020.

CONTINUING CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transactions — Contractual Arrangements

Reasons for entering into the Contractual Arrangements

Currently PRC laws and regulations restrict the operation of higher education institutions to Sino-foreign ownership. The Company operates the business through the consolidated affiliated entities in the PRC. In order to comply with the PRC laws and regulations while availing ourselves to international capital markets and maintaining effective control over all of our operations, the Company through its wholly-owned subsidiary, WFOE, entered into various agreements that together constitute the Contractual Arrangements with, among others, Mr. Yu, Mr. Xie and Dr. Yu Kai ("Dr. Yu") and the relevant consolidated affiliated entities.

Report of the Directors

The Company does not hold any equity interests in the consolidated affiliated entities which are held directly or indirectly by Mr. Yu, Mr. Xie and Dr. Yu. However, through the Contractual Arrangements, the Company effectively controls these consolidated affiliated entities and is able to derive substantially all of their economic benefits. The Contractual Arrangements enable the Company to (i) receive substantially all the economic benefits from the consolidated affiliated entities in consideration for the services provided by WFOE; (ii) exercise effective control over the consolidated affiliated entities; and (iii) hold an exclusive option to purchase all or part of the sponsor interests in our PRC operating schools when and to the extent permitted by the PRC laws.

Contractual Arrangements In Place

The Contractual Agreements that were in place as at 31 August 2021 are as follows:

Business Cooperation Agreements

Pursuant to (i) the business cooperation agreement entered into by and among WFOE, Guangdong Baiyun University and Mr. Xie dated 30 June 2017, (ii) the business cooperation agreement entered into by and among WFOE, Baiyun Technician College, Huafang Education, Lihe Education, Mr. Yu and Mr. Xie dated 14 August 2017, (iii) the business cooperation agreement entered into by and among WFOE, Zhengzhou Transit School, Shuren Education, Junshi Education, Huafang Education, Mr. Yu and Mr. Xie dated 27 February 2019, (iv) the business cooperation agreement entered into by and among WFOE, Xi'an Railway College, Shangzhi Education, Ganzhou Xitie Education, Shaanxi Xitie Education, Huafang Education, Mr. Yu and Mr. Xie dated 27 February 2019, (v) the business cooperation agreement entered into by and among WFOE, Guangzhou College of Applied Science and Technology, Songtian Polytechnic College, Lishang Education, Youxin Education, Bangrui Education, Songtian Company, Huafang Education, Mr. Yu and Mr. Xie dated 27 February 2019 and (vi) the business cooperation agreement entered into by and among WFOE, Yantai Institute of Science and Technology, Shandong Dazhong Cultural, Renjing Education, Huafang Education, Mr. Yu and Mr. Xie dated 27 November 2019 (the "Business Cooperation Agreements"), WFOE has the exclusive right to provide each of the relevant consolidated affiliated entities with technical services, management support services, consulting services, intellectual property licences and other additional services as the parties may mutually agree from time to time, and in return, our relevant PRC operating schools and other consolidated affiliated entities shall make payments accordingly.

In line with the Group's business expansion, substantially similar exclusive management consultancy and business cooperation agreement dated 15 September 2020 (the "Management Agreement") has been entered into by and among WFOE, Hainan Cyber Education, Haikou University of Economics, Affiliated Art School of Haikou University of Economics, Qixing Zhiyuan Education, Shuzhi Education, Ms. Wu Yanling and Hainan Hualian Investment Co., Ltd. pursuant to which WFOE has been engaged as the exclusive service provider to provide Hainan Cyber Education, Haikou University of Economics, Affiliated Art School of Haikou University of Economics with corporate management consultancy services, education management consultancy services, intellectual property licensing services as well as technical and business support services in return for service fees.

Report of the Directors

Exclusive Technical Services And Management Consultancy Agreements

Pursuant to (i) the exclusive technical services and management consultancy agreement entered into by and between WFOE and Guangdong Baiyun University dated 30 June 2017, (ii) the exclusive technical services and management consultancy agreement entered into by and among WFOE, Lihe Education, Huafang Education and Baiyun Technician College dated 14 August 2017, (iii) the exclusive technical services and management consultancy agreement entered into by and among WFOE, Zhengzhou Transit School, Shuren Education, Junshi Education and Huafang Education dated 27 February 2019, (iv) the exclusive technical services and management consultancy agreement entered into by and among WFOE, Xi'an Railway College, Shangzhi Education, Ganzhou Xitie Education, Shaanxi Xitie Education and Huafang Education dated 27 February 2019, (v) the exclusive technical services and management consultancy agreement entered into by and among WFOE, Guangzhou College of Applied Science and Technology, Songtian Polytechnic College, Lishang Education, Youxin Education, Bangrui Education, Songtian Company and Huafang Education dated 27 February 2019, and (vi) the exclusive technical services and management consultancy agreement entered into by and among WFOE, Yantai Institute of Science and Technology, Shandong Dazhong Cultural, Renjing Education and Huafang Education dated 27 November 2019 (the "Exclusive Technical Services and Management Consultancy Agreements"), WFOE has the exclusive right to provide, or designate any third party to provide technical services to each of our relevant PRC operating schools and the relevant consolidated affiliated entities. Furthermore, WFOE agreed to provide exclusive management consultancy services to our relevant PRC operating schools and the relevant consolidated affiliated entities.

Furthermore, the Group has entered into the Management Agreement with respect to the provision of management consultancy services and technical services to Haikou University of Economics and Affiliated Art School of Haikou University of Economics, see "Business Cooperation Agreements" in this section.

Exclusive Call Option Agreements

Under (i) the exclusive call option agreement entered into by and among WFOE, Guangdong Baiyun University and Mr. Xie dated 30 June 2017, (ii) the exclusive call option agreement entered into by and among WFOE, Baiyun Technician College, Mr. Yu, Mr. Xie, Huafang Education and Lihe Education dated 14 August 2017, (iii) the exclusive call option agreement entered into by and among WFOE, Zhengzhou Transit School, Shuren Education, Junshi Education, Huafang Education, Mr. Yu and Mr. Xie dated 27 February 2019, (iv) the exclusive call option agreement entered into by and among WFOE, Xi'an Railway College, Shangzhi Education, Ganzhou Xitie Education, Shaanxi Xitie Education, Huafang Education, Mr. Yu and Mr. Xie dated 27 February 2019, (v) the exclusive call option agreement entered into by and among WFOE, Guangzhou College of Applied Science and Technology, Songtian Polytechnic College, Lishang Education, Youxin Education, Bangrui Education, Songtian Company, Huafang Education, Mr. Yu and Mr. Xie dated 27 February 2019, and (vi) the exclusive call option agreement entered into by and among WFOE, Yantai Institute of Science and Technology, Shandong Dazhong Cultural, Renjing Education, Huafang Education, Mr. Yu and Mr. Xie dated 27 November 2019 (the "Exclusive Call Option Agreements"), Mr. Yu, Mr. Xie and the relevant consolidated affiliated entities have irrevocably granted WFOE or its designated purchaser the right to purchase all or part of the interests in our relevant PRC operating schools and the relevant consolidated affiliated entities (as the case may be). The purchase price payable by WFOE in respect of the transfer of such sponsor interest upon exercise of the call option shall be the lowest price permitted under the PRC laws and regulations. WFOE or its designated purchaser shall have the right to purchase such proportion of the sponsor interest in our relevant PRC operating schools or the equity interests in the relevant consolidated affiliated entities as it decides at any time.

In line with the Group's business expansion, substantially similar exclusive call option agreement dated 15 September 2020 has been entered into by and among WFOE, Hainan Cyber Education, Haikou University of Economics, Affiliated Art School of Haikou University of Economics, Qixing Zhiyuan Education, Shuzhi Education, Ms. Wu Yanling, Hainan Hualian Investment Co., Ltd. and Hainan Shenzheng Industrial Group Co., Ltd., pursuant to which Qixing Zhiyuan Education, Shuzhi Education, Ms. Wu Yanling, and Hainan Hualian Investment Co., Ltd. granted WFOE an exclusive, unconditional and irrevocable option to purchase from them all or part of their respective equity interests and their respective shares of the assets in Hainan Cyber Education.

School Sponsors' and Directors' Rights Entrustment Agreements And Shareholders' Rights Entrustment Agreements

Pursuant to (i) the school sponsors' and directors' rights entrustment agreement entered into by and among WFOE, Mr. Xie and each director of Guangdong Baiyun University dated 30 June 2017, (ii) the school sponsors' and directors' rights entrustment agreement entered into by and among WFOE, Lihe Education and each director of Baiyun Technician College dated 14 August 2017, (iii) the school sponsors' and directors' rights entrustment agreement entered into by and among WFOE, Shuren Education and each director of Zhengzhou Transit School appointed by the Group dated 27 February 2019, (iv) the school sponsors' and directors' rights entrustment agreement entered into by and among WFOE, Shaanxi Xitie Education and each director of Xi'an Railway College appointed by the Group dated 27 February 2019, (v) the school sponsors' and directors' rights entrustment agreement entered into by and among WFOE, Songtian Company and each director of Guangzhou College of Applied Science and Technology and Songtian Polytechnic College appointed by the Group dated 27 February 2019, and (vi) the school sponsors' and directors' rights entrustment agreement entered into by and among WFOE, Shandong Dazhong Cultural and each director of Yantai Institute of Science and Technology appointed by the Group dated 27 November 2019 (the "School Sponsors' and Directors' Rights Entrustment Agreements"), the relevant registered school sponsors have irrevocably authorised and entrusted WFOE to exercise all its rights as school sponsor of each of our relevant PRC operating schools and the directors of each relevant school (the "Appointees") has irrevocably authorised and entrusted WFOE to exercise all his/her rights as directors of our relevant PRC operating schools to the extent permitted by the PRC laws.

Pursuant to (i) the shareholders' rights entrustment agreement entered into by and among WFOE, Huafang Education, Mr. Yu and Mr. Xie dated 14 August 2017 and (ii) the shareholders' rights entrustment agreement entered into by and among WFOE, Lihe Education and Huafang Education dated 14 August 2017 (the "Shareholders' Rights Entrustment Agreements"), Mr. Yu, Mr. Xie and Huafang Education have irrevocably authorised and entrusted WFOE to exercise all his or its rights as shareholders of Huafang Education and/or Lihe Education to the extent permitted by the PRC laws.

Powers of Attorney

Pursuant to the School Sponsors' Powers of Attorney executed by the registered school sponsors in favour of WFOE, each of the registered school sponsors authorised and appointed WFOE as its agents to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of each of our relevant PRC operating schools. WFOE shall have the right to further delegate the rights so delegated to the directors of WFOE or other designated person. Each of the School Sponsors' Powers of Attorney shall constitute a part and incorporate terms of the relevant School Sponsors' and Directors' Rights Entrustment Agreement.

Report of the Directors

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favour of WFOE, each of the Appointees authorised and appointed WFOE as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of our relevant PRC operating schools. WFOE shall have the right to further delegate the rights so delegated to the directors of WFOE or other designated person. Each of the Directors' Powers of Attorney shall constitute a part of and embody the terms of the relevant School Sponsors' and Directors' Rights Entrustment Agreement.

Pursuant to the Shareholders' Powers of Attorney executed by each of Mr. Yu, Mr. Xie and Huafang Education in favour of WFOE, each of Mr. Yu, Mr. Xie and Huafang Education authorised and appointed WFOE, as his or its agent to act on his or its behalf to exercise or delegate the exercise of all his or its rights as shareholders of Huafang Education and/or Lihe Education. Each of the Shareholders' Power of Attorney shall constitute a part of and embody the terms of the relevant Shareholders' Rights Entrustment Agreement.

With respect to each of Zhengzhou Transit School, Xi'an Railway College, Guangzhou College of Applied Science and Technology, Songtian Polytechnic College and Yantai Institute of Science and Technology, substantially similar school sponsors' powers of attorney and directors' powers of attorney have been executed by the relevant registered school sponsors and directors, which shall each constitute a part of the corresponding school sponsors' and directors' rights entrustment agreements.

With respect to Haikou University of Economics and Affiliated Art School of Haikou University of Economics, powers of attorney have been executed on 15 September 2020 by each of Qixing Zhiyuan Education and Shuzhi Education appointing WFOE (or any person designated by WFOE) as its attorney-in-fact to appoint directors and act on its behalf to exercise all its rights as shareholder of Hainan Cyber Education under its articles of association and under the relevant PRC laws and regulations.

Receivables Pledge Agreement

Pursuant to the receivables pledge agreement entered into by and among WFOE, Guangdong Baiyun University and Mr. Xie dated 30 June 2017 (the "Receivables Pledge Agreement"), each of Mr. Xie and Guangdong Baiyun University unconditionally and irrevocably pledged and granted first priority security interests over all of his or its interest in (i) receivables from the schools' boarding and tuition fees, (ii) rent from the school's properties, (iii) receivables from services provided by the school and (iv) any proceeds from the sale or transfer of the sponsor interests in Guangdong Baiyun University by Mr. Xie, together with all related rights thereto to WFOE as security for performance of the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable loss of interest incurred by WFOE as a result of any event of default on the part of Mr. Xie or Guangdong Baiyun University and all expenses incurred by WFOE as a result of enforcement of the obligations of Mr. Xie and/or Guangdong Baiyun University under the Contractual Arrangements.

Pursuant to the Receivables Pledge Agreement, without the prior written consent of WFOE, Guangdong Baiyun University shall not transfer the receivables or create further pledge or encumbrance over the pledged interest in the receivables.

Report of the Directors

Account Supervision Agreement

Pursuant to the account supervision agreement entered into by and among WFOE, Guangdong Baiyun University, Mr. Xie and China Construction Bank Holdings Company Limited Guangzhou Baiyun Branch (中國建設銀行股份有限公司廣州白雲支行) ("Guangdong Bank") dated 28 August 2017 (the "Account Supervision Agreement"), Guangdong Baiyun University and Mr. Xie shall each set up a bank account at Guangdong Bank (together, the "Designated Accounts"), for the purpose of safeguarding the WFOE's interests under the Receivables Pledge Agreement. Mr. Xie and Guangdong Baiyun University shall only use the Designated Accounts in the ordinary course of business except otherwise used with WFOE's prior consent. WFOE shall have the right to supervise the daily operation of the Designated Accounts.

Each of Mr. Xie and Guangdong Baiyun University shall deposit all of his or its proceeds from receivables or the sale or transfer of sponsor interest (as the case may be) subject to the Receivables Pledge Agreement into his or its Designated Account. Under the Account Supervision Agreement, the daily operation of the Designated Accounts shall be under the supervision of Guangdong Bank on behalf of WFOE.

Equity Pledge Agreements

There are no equity pledge arrangements in relation to Guangdong Baiyun University. Nevertheless, there is equity pledge agreement in relation to Baiyun Technician College, which was entered into by and among WFOE, Mr. Yu, Mr. Xie, Huafang Education and Lihe Education dated 14 August 2017 and has been supplemented by a supplemental agreement (together, the "Equity Pledge Agreements"). The same supplemental agreement has been entered into with respect to Zhengzhou Transit School, Xi'an Railway College, Guangzhou College of Applied Science and Technology, Songtian Polytechnic College and all other schools acquired by the Group after the date of this supplemental agreement by and among WFOE, Mr. Yu, Mr. Xie, Huafang Education and Lihe Education dated 27 February 2019. Pursuant to the Equity Pledge Agreements, Mr. Yu, Mr. Xie and Huafang Education shall unconditionally and irrevocably pledge and grant first priority security interests over all of his or its equity interest in Lihe Education and Huafang Education, as the case may be, together with all related rights thereto to WFOE as security for performance of the Contractual Arrangements and for payment of all direct, indirect or consequential damages and foreseeable loss of interest incurred by WFOE as a result of any event of default on the part of among others, Mr. Yu, Mr. Xie, the relevant consolidated affiliated entities, Baiyun Technician College, Zhengzhou Transit School, Xi'an Railway College, Guangzhou College of Applied Science and Technology, Songtian Polytechnic College and/or all other schools acquired by the Group after the supplemental agreement dated 27 February 2019 and all expenses incurred by WFOE as a result of enforcement of the obligations of among others, Mr. Yu, Mr. Xie, the relevant consolidated affiliated entities, Baiyun Technician College, Zhengzhou Transit School, Xi'an Railway College, Guangzhou College of Applied Science and Technology, Songtian Polytechnic College and/or all other schools acquired by the Group after the date of the supplemental agreement dated 27 February 2019 under the Contractual Arrangements.

Pursuant to the Equity Pledge Agreements, without the prior written consent of WFOE, Mr. Yu, Mr. Xie and Huafang Education shall not transfer the equity interest or create further pledge or encumbrance over the pledged equity interest.

Corporate Substitution

Change of school sponsor of Jiangxi University of Technology from Mr. Yu to Nanchang Jiangke, which is owned as to 99% and 1% equity interests by Mr. Yu and Dr. Yu, respectively, (the "Corporate Substitution") was approved by the MOE on 7 February 2021. To reflect the Corporate Substitution, a new set of contractual agreements (the "Jiangke Agreements") has been entered into to replace the original contractual agreements.

Report of the Directors

The Jiangke Agreements comprise of:

(a) the following agreements which are substantially the same as the original contractual agreements for Jiangxi University of Technology, save for the relevant provisions reflecting the Corporate Substitution:

i. a business cooperation agreement entered into by and among WFOE, Jiangxi University of Technology, Nanchang Jiangke, Mr. Yu and Dr. Yu on 16 August 2021, pursuant to which the WFOE will have the exclusive right to provide Jiangxi University of Technology with technical services, management support services, consulting services, intellectual property licences and other additional services as the parties may mutually agree from time to time, and in return for payments;

ii. an exclusive technical services and management consultancy agreement entered into by and among WFOE, Jiangxi University of Technology and Nanchang Jiangke on 16 August 2021 pursuant to which WFOE will have the exclusive right to provide, or designate any third party to provide technical services to Jiangxi University of Technology;

iii. an exclusive call option agreement entered into by and among WFOE, Jiangxi University of Technology, Nanchang Jiangke, Mr. Yu and Dr. Yu on 16 August 2021 pursuant to which Mr. Yu, Dr. Yu and Nanchang Jiangke granted WFOE or its designated purchaser the right to purchase all or part of the interests in Jiangxi University of Technology or Nanchang Jiangke (as the case may be). The purchase price payable by WFOE in respect of the transfer of such sponsor interest upon exercise of the call option shall be the lowest price permitted under the PRC laws and regulations. WFOE or its designated purchaser shall have the right to purchase such proportion of the sponsor interest in Jiangxi University of Technology or the equity interests in Nanchang Jiangke as it decides at any time;

iv. a school sponsors' and directors' rights entrustment agreement entered into by and among WFOE, Nanchang Jiangke and the directors of Jiangxi University of Technology on 16 August 2021 pursuant to which the registered school sponsors have irrevocably authorised and entrusted WFOE to exercise all their rights as school sponsors and the directors have irrevocably authorised and entrusted WFOE to exercise all his rights as directors to the extent permitted by PRC laws.

v. powers of attorney:

(1) school sponsors' powers of attorney executed by Nanchang Jiangke in favour of WFOE on 16 August 2021, Nanchang Jiangke authorised and appointed WFOE as its agents to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of Jiangxi University of Technology ("Sponsor POA"); and

(2) directors' powers of attorney executed by the directors of Jiangxi University of Technology in favour of WFOE on 16 August 2021, the directors authorised and appointed WFOE as his/her agent to act on his/her behalf to exercise or delegate the exercise of all his/her rights as directors of Jiangxi University of Technology ("Directors POA").

Report of the Directors

(b) the following additional contractual agreements (as compared with the original contractual arrangement for Jiangxi University of Technology) have been entered into, the terms of which are the same as those entered into under the contractual arrangement of Baiyun Technician College (with corporate school sponsor):

  i. a shareholders' rights entrustment agreement entered into by and among WFOE, Mr. Yu, Dr. Yu and Nanchang Jiangke on 16 August 2021 pursuant to which Mr. Yu and Dr. Yu have irrevocably authorised and entrusted WFOE to exercise all his rights as shareholders of Nanchang Jiangke to the extent permitted by PRC laws;

  ii. a shareholders' powers of attorney executed by each of Mr. Yu and Dr. Yu in favour of WFOE on 16 August 2021 pursuant to which each of them authorised and appointed WFOE, as his agent to act on his behalf to exercise or delegate the exercise of all his rights as shareholders of Nanchang Jiangke (together with the Sponsor POA and the Directors POA, the "Powers of Attorney");

  iii. an equity pledge agreement entered into by WFOE, Nanchang Jiangke, Mr. Yu and Dr. Yu on 16 August 2021 pursuant to which Mr. Yu and Dr. Yu unconditionally and irrevocably pledged and granted first priority security interests over all of his equity interests in Nanchang Jiangke, as the case may be, together with all related rights thereto to WFOE as security for performance of the Jiangke Agreements;

The original contractual agreements, including: (i) the business cooperation agreement entered into by and among WFOE, Jiangxi University of Technology and Mr. Yu dated 30 June 2017, (ii) the exclusive technical services and management consultancy agreement entered into by and between WFOE and Jiangxi University of Technology dated 30 June 2017, (iii) the exclusive call option agreement entered into by and among WFOE, Jiangxi University of Technology and Mr. Yu dated 30 June 2017, (iv) the school sponsors' and directors' rights entrustment agreement entered into by and among WFOE, Mr. Yu and each director of Jiangxi University of Technology dated 30 June 2017, (v) the school sponsors' powers of attorney executed by Mr. Yu in favour of WFOE dated 30 June 2017, (vi) the directors' powers of attorney executed by the directors of Jiangxi University of Technology in favour of WFOE dated 30 June 2017, have been terminated. In addition, a receivables pledge termination agreement has been entered into by and among WFOE, Jiangxi University of Technology and Mr. Yu on 16 August 2021 to terminate the receivables pledge agreement entered into by the same parties dated 30 June 2017, and an account supervision termination agreement has also been entered into by and among WFOE, Jiangxi University of Technology, Mr. Yu and Nanchang Agriculture Bank Holdings Company Limited Qingshanhu Branch (南昌農村商業銀行股份有限公司青山湖支行) on 30 August 2021 to terminate the account supervision agreement entered into by the same parties dated 15 August 2017.

Report of the Directors

Interim Contractual Arrangements

The Group acquired the Hainan BVI and Qixing Zhiyuan Education structure in the acquisition of Haikou University of Economics and Affiliated Art School of Haikou University of Economics. On 3 September 2020, the Interim Contractual Arrangements were entered into between Hainan WFOE, Qixing Zhiyuan Education and Ms. Wu Yanling to allow Hainan WFOE gain control over Qixing Zhiyuan Education during the interim period pending completion of the related business registration with the relevant authorities in connection with the transfer of Qixing Zhiyuan Education from Ms. Wu Yanling to Shuzhi Education. On 2 April 2021, the Group terminated the Interim Contractual Arrangements and Qixing Zhiyuan Education was transferred to Shuzhi Education. The Interim Contractual Arrangements consist of:

(a) an exclusive management consultancy and business cooperation agreement dated 3 September 2020 between Hainan WFOE, Qixing Zhiyuan Education and Ms. Wu Yanling pursuant to which Qixing Zhiyuan Education agreed to engage Hainan WFOE as the exclusive service provider to provide Qixing Zhiyuan Education with corporate management, consultancy services, education management consultancy services, intellectual property licensing services as well as technical and business support services in return for service fees;

(b) an exclusive call option agreement dated 3 September 2020 between Hainan WFOE, Qixing Zhiyuan Education and Ms. Wu Yanling pursuant to which Hainan WFOE was granted an exclusive, unconditional and irrevocable option to purchase from Ms. Wu Yanling all or part of their respective equity interests in Qixing Zhiyuan Education;

(c) powers of attorney executed on 3 September 2020 by Ms. Wu Yanling appointing Hainan WFOE (or any person designated by Hainan WFOE) as her attorney to appoint directors and act on her behalf to exercise all its rights as equity holder of Qixing Zhiyuan Education under its articles of association and relevant PRC laws and regulations; and

(d) an equity pledge agreement dated 3 September 2020 between Hainan WFOE, Ms. Wu Yanling and Qixing Zhiyuan Education pursuant to which Ms. Wu Yanling irrevocably and unconditionally agreed to pledge 100% equity interests in Qixing Zhiyuan Education to Hainan WFOE.

Listing Rules Implications

Mr. Yu and Mr. Xie are the Executive Directors and substantial shareholders of the Company, and therefore each of them is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. Mr. Yu and Dr. Yu are Executive Directors which control WFOE and hold 99% and 1% equity interests in Nanchang Jiangke, respectively, Nanchang Jiangke is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules.

Report of the Directors

Waiver from the Stock Exchange and Annual Review

The Stock Exchange has granted a specific waiver to the Company from strict compliance with the connected transactions requirements of Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements, including (i) the announcement and independent Shareholders' approval requirements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules. The specific waiver granted by the Stock Exchange is subject to various conditions as disclosed in the "Connected Transactions" section of the Company's prospectus and which include, among others, disclosure in our annual reports of the Contractual Arrangements in place during each financial period, engagement of the Company's auditor to report on the transactions carried out pursuant to the Contractual Arrangements in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and issue of letter in respect of the above continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules, and annual review by the INEDs of the Contractual Arrangements and their confirmation in our annual report for the relevant year.

Confirmation from INEDs

Our INEDs have reviewed the Contractual Arrangements and confirmed that during the year ended 31 August 2021 (i) the transactions carried out have been entered into in accordance with the relevant provisions of the Contractual Arrangements and that the profit generated by the consolidated affiliated entities has been substantially retained by the Group, (ii) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group, (iii) apart from the disclosure above, no contracts were entered into, renewed or reproduced between the Group and the consolidated affiliated entities, and (iv) the transactions contemplated under the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from the Company's Independent Auditor

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

For the purpose of Rule 14A.56 of the Listing Rules, Deloitte Touche Tohmatsu has provided a letter to the Board, confirming that the transactions contemplating under the Contractual Arrangements:

(a) have been approved by the Board;

(b) have been entered into, in all material respects, in accordance with the relevant Contractual Arrangements;

(c) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

During the year ended 31 August 2021, no related party transactions disclosed in note 40 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Directors confirmed that the Company has complied with the disclosure requirements of Chapter 14A of the Listing Rules in respect of all of its continuing connected transactions.

Risks relating to the Contractual Arrangements

The PRC government may find that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations, which may subject us to severe penalties and our business may be materially and adversely affected. The Contractual Arrangements may be subject to the scrutiny of the PRC tax authorities and additional tax may be imposed, which may materially and adversely affect our results of operations.

The Contractual Arrangements may not be as effective in providing us with control over our consolidated affiliated entities as direct ownership. The beneficial owners of our consolidated affiliated entities may have conflicts of interest with us, which may materially and adversely affect our business and financial condition. The sponsor interests in Guangdong Baiyun University held by Mr. Xie are not capable of being pledged in favour of our WFOE under the PRC laws. Our Contractual Arrangements with respect to this university contain alternative arrangements that may not achieve the level of protection equivalent to typical contractual arrangements with equity pledge arrangements.

Our exercise of the option to acquire the sponsor interests or equity interests of our consolidated affiliated entities may be subject to certain limitations and we may incur substantial costs. Any failure by our consolidated affiliated entities or their respective school sponsors/shareholders to perform their obligations under our Contractual Arrangements would potentially lead to the incurrence of additional costs and the expending of substantial resources on our part to enforce such arrangements, temporary or permanent loss of control over our primary operations or loss of access to our primary sources of revenue.

We rely on dividend and other payments from WFOE to pay dividends and other cash distributions to our Shareholders and any limitation on the ability of WFOE to pay dividends to us would materially and adversely limit our ability to pay dividends to our Shareholders. If any of our consolidated affiliated entities becomes subject to winding up or liquidation proceedings, we may lose the ability to use and enjoy certain important assets held by our consolidated affiliated entities, which could negatively impact our business and materially and adversely affect our ability to generate revenue.

The Board will review the Contractual Arrangements at least once a year to ensure the effective implementation of the Contractual Arrangements and compliance with the relevant terms.

LOAN AGREEMENTS WITH COVENANT RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

2018 IFC Loan

On 31 May 2018, the Company and certain of its wholly-owned subsidiaries as borrowers entered into a loan agreement and related financing documents (the "2018 IFC Loan Agreement") with International Finance Corporation ("IFC"), a member of the World Bank Group, as lender in relation to a long-term loan facility up to US$200,000,000 (the "2018 IFC Loan") and with a term of up to seven years. The 2018 IFC Loan Agreement imposes, among other things, specific performance obligations on the controlling shareholders of the Company, namely Mr. Yu Guo and Mr. Xie Ketao (collectively referred to as the "Controlling Shareholders").

Pursuant to the 2018 IFC Loan Agreement, so long as any of the 2018 IFC Loan remains available or outstanding, the Controlling Shareholders shall collectively maintain:

(i) at all times, effective control of the Company; and

(ii) directly or indirectly, at all times (a) on or before 15 December 2018, at least 60%; and (b) after 15 December 2018, at least 50% of the beneficial ownership of the issued Shares.

Failure of the Controlling Shareholders to comply with the aforesaid obligations could constitute an event of default under the 2018 IFC Loan Agreement. Nevertheless, it will not be an event of default in respect of the above shareholding requirement to the extent that the failure to comply is not a result of a direct or indirect transfer of the Shares by the Controlling Shareholders.

In addition, it is also an event of default should there be a change of control of the Company or any of its relevant subsidiaries or consolidated affiliated entities, to the extent (amongst other things) any person other than the Controlling Shareholders obtains effective control (including such person having obtained directly or indirectly ownership of 20% or more of the voting share or equity in such entities) of any of them. Nevertheless, if the Controlling Shareholders collectively (whether directly or indirectly) remain as the single largest shareholder of such entity, it would not be a change of control in the context of the above requirement.

If an event of default under the 2018 IFC Loan Agreement occurs and is continuing, the lender may, by notice to the borrowers, require the borrowers to immediately repay the 2018 IFC Loan (or such part of the 2018 IFC Loan) and any other payments pursuant to the 2018 IFC Loan Agreement.

Facility Agreement

On 6 September 2021, Admiral One International Limited (an indirect wholly-owned subsidiary of the Company) as borrower, the Company as guarantor and certain wholly-owned subsidiaries of the Company entered into a facility agreement (the "Facility Agreement") with certain banks as lenders, pursuant to which the lenders agreed to provide a term loan facility of US$189,500,000 (the "Facility") with a term up to seven years.

Pursuant to the terms of the Facility Agreement, the Controlling Shareholders shall remain the single largest direct or indirect shareholder of the Company. A breach of such undertaking will constitute an event of default under the Facility Agreement and the agent of the lenders may, by notice to the borrower, declare that all or part of the outstanding loan, together with accrued interest and all other amounts accrued or outstanding under the Facility Agreement be immediately due and payable by the borrower.

Report of the Directors

2021 IFC Loan

On 13 September 2021, the Company and certain of its wholly-owned subsidiaries as borrowers entered into a loan agreement and related financing documents (the "2021 IFC Loan Agreement") with IFC as lender in relation to a long-term loan facility up to US$150,000,000 (the "2021 IFC Loan") and with a term of up to seven years. The 2021 IFC Loan Agreement imposes, among other things, specific performance obligations on the Controlling Shareholders.

Pursuant to the 2021 IFC Loan Agreement, so long as the 2021 IFC Loan remains available or outstanding, the Controlling Shareholders shall collectively maintain at all times:

(1) directly or indirectly at least 50% of the beneficial ownership of the shares of the Company; and

(2) effective control of the Company.

Failure of the Controlling Shareholders to comply with the aforesaid obligations could constitute an event of default under the 2021 IFC Loan Agreement.

In addition, it could also constitute an event of default should there be a change of control of the Company or any of its relevant subsidiaries or consolidated affiliated entities, to the extent (amongst other things) any person other than the Controlling Shareholders obtains effective control (including such person having obtained directly or indirectly ownership of 50% or more of the voting shares or equity in such entities) of any of them.

If an event of default under the 2021 IFC Loan Agreement occurs and is continuing, the Lender may, by notice to the borrowers, require the borrowers to immediately repay the 2021 IFC Loan (or such part of the 2021 IFC Loan) and any other payments pursuant to the 2021 IFC Loan Agreement.

GUARANTEE REGARDING THE FINANCIAL PERFORMANCE OF A COMPANY OR BUSINESS ACQUIRED

On 13 March 2018, the Company announced its acquisitions of Zhengzhou Transit School. The vendors of Zhengzhou Transit School agreed to provide guarantees in relation to the financial performance of Zhengzhou Transit School for each of the three calendar years ending 31 December 2020. The actual performance of Zhengzhou Transit School for the calendar year ended 31 December 2020 had met the above guarantees.

Report of the Directors

UPDATES IN RELATION TO QUALIFICATION REQUIREMENT

On 23 June 2020, National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and Ministry of Commerce of the PRC (中華人民共和國商務部) jointly promulgated the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020) (《外商投資准入特別管理措施(負面清單)》(2020年版), the "Negative List"), which became effective on 23 July 2020. Pursuant to the Negative List, higher education in the PRC is a "restricted" industry. In particular, the Negative List explicitly restricts higher education institutions to Sino-Foreign cooperation, meaning that foreign investors may only operate higher education institutions through cooperating with PRC incorporated entities that are in compliance with the Regulations on Sino-Foreign Cooperative Education of the PRC (《中華人民共和國中外合作辦學條例》, which was promulgated by the State Council on 1 March 2003, taking effect as from 1 September 2003, amended on 18 July 2013, and further amended on 2 March 2019, the "Sino-Foreign Regulation"). 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 other 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 50% of the total members of the board of directors, the executive council or the joint administration committee of the Sino-Foreign cooperative educational institution. Pursuant to the Negative List, vocational education in the PRC is the "permitted" industry. However, the Administrative Measures for the Sino-Foreign Cooperative Education on Vocational Skills Training (《中外合作職業技能培訓辦學管理辦法》) (the "Sino-Foreign Vocational Skills Training Measures") explicitly restrict vocational education to Sino-Foreign cooperation, meaning that foreign investors may only operate vocational training schools through joint ventures with PRC incorporated entities that are in compliance with the Sino-Foreign Regulation.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Implementing Rules for the Regulations on Operating Sino-Foreign Schools (《中華人民共和國中外合作辦學條例實施辦法》, issued by the MOE on 2 June 2004 and became effective on 1 July 2004) (the "Implementing Rules"), the foreign investor in a Sino-Foreign Joint Venture Private Higher Education School must be a foreign educational institution with relevant qualification and high quality of education (the "Higher Education Qualification Requirement"). Similarly, pursuant to the Sino-foreign Vocational Skills Training Measures, the foreign investor in a Sino-Foreign Joint Venture Private Vocational Education School must be a foreign education institution with relevant qualification and high quality of education (the "Vocational Education Qualification Requirement") (Higher Education Qualification Requirement and Vocational Education Qualification Requirement are collectively referred as "Qualification Requirement"). Furthermore, pursuant to 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 (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》)(the "Implementation Opinions"), which was issued by the MOE on 28 June 2012, the foreign portion of the total investment in a Sino-Foreign School should be below 50% (the "Foreign Ownership Restriction") and the establishment of these schools is subject to approval of education authorities at the provincial or national level.

Report of the Directors

The Company's PRC Legal Adviser has advised that the laws and regulations are currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant authority that it meets the Qualification Requirement. Notwithstanding the foregoing, the Company is committed to working towards meeting the Qualification Requirement and has implemented a business plan to ensure our compliance with Qualification Requirement and with a view to expanding our education operations overseas. In 2019, the Company acquired King's Own Institute in Sydney, Australia, a higher education institute that is accredited in Australia to award both bachelor's and master's degrees and is recognised by the MOE. We will continue to disclose our progress in the implementation of our overseas expansion plans and updates to the Qualification Requirement in our annual and interim reports.

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

As disclosed in the section headed "Business — Properties — Non-compliance with respect to the Land and Buildings of Guangdong Baiyun University and Baiyun Technician College" in the prospectus of the Company dated 5 December 2017, land use right certificate for a parcel of land has not been obtained (the "Land Issue"), and building ownership certificates for certain buildings have not been obtained and the relevant fire control assessment requirements have not been complied with (the "Building and Fire Control Issues"). We have been in discussion with the relevant parties and in the process of applying for re-compliance of the relevant certificates, permits and fire control assessment procedures (the "Rectification"). Such rectification would involve protracted discussions with various government authorities and time-consuming government administrative processes. As at the date of this report, the application is in progress and we have not obtained any formal approvals from the relevant government authorities for the submissions that we made in relation to the Rectification.

We commissioned qualified independent third parties to undertake a seismic resistance assessment and fire safety assessment on the buildings that do not have building ownership certificates. According to the assessment reports, no material safety issues were identified and the relevant buildings had passed the assessments; buildings can be operated normally as long as they maintain their existing safety conditions.

Furthermore, as disclosed in the prospectus, we acquired the land use right certificate for the first phase of the site of Zhongluotan Land with a site area of 188,666 sq.m. which would be developed into a new campus of Guangdong Baiyun University. The new campus would have ample capacity to accommodate the expansion of the school and to facilitate the relocation of the existing operations of the buildings (the "Old Buildings") affected by the Land Issue, and the Building and Fire Control Issues. The new campus commenced operation in the 2019/2020 academic year and the operations in the Old Buildings would also be gradually relocated to the new campus. We will continue to disclose our progress in the rectification and the relocation of the existing operations of the Old Buildings in our annual and interim report.

In view of the mitigating actions that have been taken by the Group, the Directors considered that the Land Issue, and the Building and Fire Control Issues of the Old Buildings would not have a material adverse effect on the operation of the schools.

Report of the Directors

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

None of the Directors or any of their respective associates has engaged in any business that competes or is likely to compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group.

EMPLOYEES AND REMUNERATION POLICIES

Remuneration

As at 31 August 2021, the Group had 11,034 employees (31 August 2020: 8,833), a 24.9% increase from 2020's mainly due to inclusion of employees of the two new schools acquired during the year ended 31 August 2021. The remuneration packages of the employees of the Group are determined with reference to individual qualification, experience, performance, contribution to the Group and prevailing market rate.

Remuneration policy of our schools is formulated under the guidance of the relevant laws and regulations of the local jurisdictions of our member schools and is also based on the industry characteristics as well as various market factors. Our member schools determine their respective compensation standards based on the employment by function (teachers, teaching assistants, administrative personnel and workers, etc.) and position. Schools participate in social insurance (pension, housing provident fund, medical, unemployment, work injury and maternity insurance) plans under the guidance of relevant national, provincial, and municipality policies and provide a variety of benefits for employees.

Our employees are members of retirement benefits schemes administrated by their respective jurisdictions. Employers and employees are required to contribute to the retirement benefits scheme in accordance with the respective local laws and regulations.

Recruitment

The Group and its member schools follow the Labour Law, Labour Contract Law, Employment Promotion Law, Labour Dispute Mediation and Arbitration Law as well as other relevant laws and regulations of their respective local jurisdictions in the recruitment process. We prohibit discrimination of staff by age, sex, race, nationality, religion or disability, ensuring everyone has equal employment opportunities and respects.

Our schools recruit talents based on business development and operational needs, as well as candidate's integrity and professionalism. Our talent selection policy does not only focus on professional knowledge, experience, and relevant qualification, but also on candidate's morality, professional ethics and discipline. All candidates with employment offer will have to sign the employment contract no later than one month since the first day report to work, and we stipulate the probation period according to law. Near the end of the probation period, human resources department will work with the candidates' respective departments to conduct comprehensive assessments on new employees' performance and personality fit during the probation period, to decide whether we should officially offer the position as scheduled or ahead of the schedule, or terminate the employment.

We actively attract talents through contacting the target colleges, participating in talent recruitment fairs and industry conferences, and encourage employee referral through social media or various means. In addition, we provide pre-employment and on-the-job trainings such as assigning coaches (experienced teachers) for newly hired teachers to ensure they have faster and smoother transitions and integrations.

REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management, having regard to their relevant experience, duties and responsibilities, performance and achievement, and market rate. None of the Directors will determine their own remuneration. Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in note 11 to the consolidated financial statements in this annual report.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

As at the date of this report, based on the information publicly available to the Company and within the knowledge of the Directors, the Company continues to meet the prescribed public float under the Listing Rules.

USE OF NET PROCEEDS FROM THE ISSUE OF CONVERTIBLE BONDS DUE 2024

The Company issued convertible bonds due 2024 bearing interest at the rate of 2.0% per annum in an aggregate principal amount of HK$2,355 million at initial conversion price of HK$14.69 per ordinary Share in March 2019 to enhance its working capital for the Group's continual business development. During the year ended 31 August 2021, the conversion price was adjusted from HK$14.33 per ordinary Share to HK$14.18 per ordinary Share and from HK$14.18 per ordinary Share to HK$13.99 per ordinary Share. Following such adjustments, the conversion shares to be issued upon full conversion of the convertible bonds were increased to 168,334,524 Shares. The net proceeds (after deducting the issuing expenses) from the subscription amounted to approximately RMB2,105.6 million and have been utilised as the intentions previously disclosed in the Company's announcements. As at 31 August 2021, the Company has fully utilised the net proceeds.

The following sets forth a summary of the utilisation of the net proceeds from the issue of convertible bonds due 2024 as at 31 August 2021:

Purpose	Percentage to total amount	Net proceeds amount *RMB (million)*	Unutilised amount as at 1 September 2020 *RMB (million)*	Utilised amount during the year *RMB (million)*	Unutilised amount as at 31 August 2021 *RMB (million)*
Construction and development of the Group's schools in the PRC	30%	631.7	–	–	–
Acquisitions of schools in the PRC	45%	947.5	147.1	147.1	–
Group's overseas development	25%	526.4	–	–	–
	100%	2,105.6	147.1	147.1	–

Report of the Directors

As at 31 August 2021, no conversion of the convertible bonds had been exercised by any holders of the convertible bonds and no redemption of the convertible bonds was made by the Company.

Further details of the convertible bonds are set out in the announcements of the Company dated 22 March 2019 and 28 March 2019.

TAX RELIEF AND EXEMPTION

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

PERMITTED INDEMNITY PROVISIONS

The company has in force permitted indemnity provisions for the benefit of the directors of the Company and other members of the Group during the financial year and up to the date of this report. There are permitted indemnity provisions in the Company's Articles of Association to provide indemnity to the Directors against any third party liability incurred by them in discharging their duty. The Company has also maintained a directors and officers liability insurance to cover against legal actions and potential liability to third parties.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year ended 31 August 2021, the Group was not aware of material non-compliance with the relevant laws and regulations that have a significant impact on the business and operations of the Group.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 August 2021 have been audited by Deloitte Touche Tohmatsu. A resolution will be proposed at the forthcoming AGM for the re-appointment of Deloitte Touche Tohmatsu as the independent auditor of the Company.

On behalf of the Board

Yu Guo and **Xie Ketao**
Co-Chairmen

Hong Kong, 24 November 2021

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF
CHINA EDUCATION GROUP HOLDINGS LIMITED
中國教育集團控股有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Education Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 142 to 255, which comprise the consolidated statement of financial position as at 31 August 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with 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.

Independent Auditor's Report

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 the matter.

Key audit matter	How our audit addressed the key audit matter
Acquisition of businesses and impairment assessments of goodwill and intangible assets with indefinite useful life	
We identified the acquisition of businesses during the year ended 31 August 2021 and impairment assessments of goodwill and intangible assets with indefinite useful life at 31 August 2021 as a key audit matter due to the complexity and significant estimates involved in the assessment process by the management of the Group. As disclosed in note 37 to the consolidated financial statements, the Group acquired Hainan Cyber Education Group Company Limited and Hainan Hualian Investment Co., Ltd ("Hainan Education Group") during the year ended 31 August 2021. The Group has recognised goodwill and intangible asset with indefinite useful life of RMB1,492,909,000 and RMB955,379,000, respectively as at the date of acquisition. As at 31 August 2021, the carrying amounts of the Group's goodwill and intangible assets with indefinite useful life are RMB3,211,079,000 and RMB3,207,493,000, respectively. With the use of independent valuers, the valuation of intangible assets with indefinite useful life, representing brand name, on the acquisition date, was performed based on key assumptions and estimation used by the management including discount rates and growth rates for student number, tuition fee and cost of revenue in respect of the acquisition made during the reporting period.	Our procedures in relation to the acquisition of businesses and impairment assessments of goodwill and intangible assets with indefinite useful life at 31 August 2021 included: • Checking the arithmetical accuracy of the calculations underlying the purchase price allocations ("PPA") and impairment assessments; • Understanding the nature of the intangible asset being acquired and inquiring the management of the Group for the factors that goodwill is arisen; • Evaluating the competence, capabilities and objectivity of the independent valuers engaged by the management in assessing the PPA and the discount rates applied in calculating the value in use for impairment assessments at 31 August 2021; • Involving our internal valuation expert to review the valuations performed by the independent valuers in respect of the PPA and the discount rates applied in calculating the value in use for certain impairment assessments as at 31 August 2021;

Independent Auditor's Report

KEY AUDIT MATTER (Continued)

Key audit matter	How our audit addressed the key audit matter

Acquisition of a business and impairment assessments of goodwill and intangible assets with indefinite useful life (Continued)

For the purpose of assessing impairment of goodwill and intangible assets with indefinite useful life at 31 August 2021, respective recoverable amounts of the cash generating units ("CGUs") or group of CGUs have been determined by the management of the Group based on calculation of value in use, using financial budgets with reference to the relevant subsidiaries' past performances and management's expectations for the market development, where the key assumptions and estimates included the discount rates, growth rates for student number, tuition fee and cost of revenue and situation of COVID-19 used in the value in use calculations. Based on the management's assessment, the impairment loss of RMB59,259,000 in relation to goodwill of a certain CGU has been recognised for the year ended 31 August 2021.	• Assessing the appropriateness of the key assumptions adopted in the discounted cash flows for impairment assessments and the PPA, by checking historical budgets against historical results and management's expectations for the market development, situation of COVID-19 and other sources of external information; • Testing source data on a sample basis to supporting evidences, such as approved budgets and available market data; and • Evaluating the appropriateness of the disclosures in respect of the acquisition of Hainan Education Group and impairment assessments of goodwill and intangible assets with indefinite useful life in the consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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 judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

Independent Auditor's Report

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

- 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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 the independent auditor's report is Lee Ka Kei.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 November 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 August 2021

	NOTES	Year ended 31 August 2021 RMB'000	 2020 RMB'000
Revenue	5	**3,682,440**	2,678,088
Cost of revenue		**(1,507,348)**	(1,077,101)
Gross profit		**2,175,092**	1,600,987
Other income	6	**192,222**	113,276
Investment income	7a	**43,426**	18,356
Other expense, other gains and losses	7b	**(240,372)**	(33,978)
Fair value change on convertible bonds	31	**145,264**	(369,260)
Selling expenses		**(168,188)**	(134,918)
Administrative expenses		**(474,420)**	(372,273)
Finance costs	8	**(162,056)**	(92,609)
Profit before taxation		**1,510,968**	729,581
Taxation	9	**(39,206)**	(19,230)
Profit for the year	10	**1,471,762**	710,351
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of a foreign operation		**(76,609)**	32,688
Total comprehensive income for the year		**1,395,153**	743,039
Profit for the year attributable to:			
— owners of the Company		**1,443,799**	633,202
— non-controlling interests		**27,963**	77,149
		1,471,762	710,351
Total comprehensive income for the year			
— owners of the Company		**1,367,190**	665,890
— non-controlling interests		**27,963**	77,149
		1,395,153	743,039
Earnings per share	13		
Basic (RMB cents)		**65.02**	31.28
Diluted (RMB cents)		**54.02**	31.05

Consolidated Statement of Financial Position

At 31 August 2021

	NOTES	At 31 August 2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**12,126,263**	6,846,583
Right-of-use assets	15	**1,492,957**	1,510,859
Goodwill	16	**3,211,079**	1,792,266
Intangible assets	16	**3,221,187**	2,298,834
Contract costs	20	**94,965**	108,910
Prepayments for investments	19	**474,200**	262,800
Deposits paid for right-of-use assets	18	**114,261**	1,181
Deposits paid for acquisition of property, plant and equipment		**71,214**	63,129
Other prepayment and deposits	21	**51,503**	31,303
Deferred tax asset	30	**13,117**	18,158
Investment in an associate		**478**	–
		20,871,224	12,934,023
CURRENT ASSETS			
Inventories		**1,362**	1,183
Trade receivables, deposits, prepayments and other receivables	21	**751,878**	593,655
Financial assets at fair value through profit or loss	22	**1,620,129**	823,270
Contract costs	20	**74,108**	79,289
Restricted bank deposits	23	**101,062**	100,300
Bank balances and cash	23	**3,327,191**	3,443,070
		5,875,730	5,040,767
CURRENT LIABILITIES			
Deferred income	24	**57,271**	56,579
Trade payables	25	**26,956**	33,374
Other payables and accrued expenses	26	**1,935,185**	1,446,899
Provisions	26	**378,282**	262,205
Lease liabilities	29	**23,670**	29,969
Income tax payable		**88,543**	19,130
Contract liabilities	27	**2,265,855**	1,238,857
Bank and other borrowings	28	**1,473,129**	291,662
		6,248,891	3,378,675
NET CURRENT (LIABILITIES) ASSETS		**(373,161)**	1,662,092
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,498,063**	14,596,115

Consolidated Statement of Financial Position

At 31 August 2021

	NOTES	At 31 August 2021 RMB'000	2020 RMB'000
NON-CURRENT LIABILITIES			
Deferred income	*24*	**16,113**	24,911
Other payables	*26*	**813,266**	23,100
Bank and other borrowings	*28*	**4,618,114**	2,386,847
Lease liabilities	*29*	**82,768**	85,965
Deferred tax liability	*30*	**967,406**	739,685
Convertible bonds	*31*	**2,243,571**	2,428,247
		8,741,238	5,688,755
		11,756,825	8,907,360
CAPITAL AND RESERVES			
Share capital	*32*	**19**	18
Reserves		**10,919,385**	8,573,449
Equity attributable to owners of the Company		**10,919,404**	8,573,467
Non-controlling interests		**837,421**	333,893
		11,756,825	8,907,360

The consolidated financial statements on pages 142 to 255 were approved and authorised for issue by the Board of Directors on 24 November 2021 and are signed on its behalf by:

Mr. Yu Guo
DIRECTOR

Mr. Xie Ketao
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 August 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 (Note i)	Other reserve RMB'000 (Note ii)	Share options reserve RMB'000	Statutory surplus reserve RMB'000 (Note iii)	Exchange reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 September 2019	17	2,579,785	181,679	(32,309)	92,619	1,264,734	–	2,508,018	6,594,543	413,694	7,008,237
Profit for the year	–	–	–	–	–	–	–	633,202	633,202	77,149	710,351
Other comprehensive income for the year	–	–	–	–	–	–	32,688	–	32,688	–	32,688
Total comprehensive income for the year	–	–	–	–	–	–	32,688	633,202	665,890	77,149	743,039
Dividends recognised as distribution *(note 12)*	–	(410,738)	–	–	–	–	–	–	(410,738)	–	(410,738)
Issue of shares *(note 32)*	1	1,798,602	–	–	(101)	–	–	–	1,798,502	–	1,798,502
Transfer	–	–	–	–	–	199,212	–	(199,212)	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	(120,498)	–	–	–	39,448	(81,050)	(156,950)	(238,000)
Recognition of equity-settled share-based payments	–	–	–	–	6,320	–	–	–	6,320	–	6,320
At 31 August 2020	18	3,967,649	181,679	(152,807)	98,838	1,463,946	32,688	2,981,456	8,573,467	333,893	8,907,360
Profit for the year	–	–	–	–	–	–	–	1,443,799	1,443,799	27,963	1,471,762
Other comprehensive expense for the year	–	–	–	–	–	–	(76,609)	–	(76,609)	–	(76,609)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(76,609)	1,443,799	1,367,190	27,963	1,395,153
Dividends recognised as distribution *(note 12)*	–	(636,659)	–	–	–	–	–	–	(636,659)	–	(636,659)
Issue of shares *(note 32)*	1	1,698,434	–	–	(2,139)	–	–	–	1,696,296	–	1,696,296
Transaction costs attributable to issue of shares *(note 32)*	–	(10,512)	–	–	–	–	–	–	(10,512)	–	(10,512)
Transfer	–	–	–	–	–	360,282	–	(360,282)	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	(186,528)	–	–	–	141,222	(45,306)	(257,622)	(302,928)
Acquisition of a business *(note 37)*	–	–	–	–	–	–	–	–	–	733,187	733,187
Recognition of equity-settled share-based payments	–	–	–	–	(25,072)	–	–	–	(25,072)	–	(25,072)
At 31 August 2021	19	5,018,912	181,679	(339,335)	71,627	1,824,228	(43,921)	4,206,195	10,919,404	837,421	11,756,825

Consolidated Statement of Changes in Equity

For the year ended 31 August 2021

Notes:

i. Amounts represent the transfer of the combined paid-in capital of the subsidiaries comprising the Group to the merger reserve upon the Company became the holding company of the Group upon the reorganisation in 2017.

ii. The other reserve represents (i) the difference between the principal amounts of consideration paid and the relevant share of carrying value of the subsidiary's net assets acquired from/disposed to the non-controlling interests; (ii) the deemed distribution to equity holders which represents the differences between the fair value of the lower-than-market interest rate advances to Mr. Yu Guo ("Mr. Yu") and Mr. Xie Ketao ("Mr. Xie"), the Controlling Equity Holders (as defined in note 1) and an entity controlled by Mr. Xie and the principal amount of the advances at initial recognition in prior year; (iii) the deemed contribution from equity holders which represents the differences between the carrying amount of the lower-than-market interest rate advances to Mr. Yu and Mr. Xie and the amount received for the settlement in prior year; (iv) capital contribution from Mr. Yu through a company controlled by him in prior years; (v) the difference between the consideration paid for further acquisition of 20% interest in Shuren Education Management Company Limited during the year ended 31 August 2020 and the amount by which the non-controlling interests are adjusted, after reattribution of relevant reserve; and (vi) the difference between the fair value of consideration paid for further acquisition of 28% equity interest in Ganzhou Xitie Education Consulting Company Limited (贛州西鐵教育諮詢有限公司) ("Ganzhou Xitie") during the year ended 31 August 2021 and the amount by which the non-controlling interests are adjusted, after reattribution of relevant reserve.

iii. Pursuant to the relevant laws in the People's Republic of China (the "PRC"), the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of the relevant PRC subsidiaries. These reserves include (i) general reserve of the limited liabilities companies and (ii) the development fund of schools.

   (i) For PRC subsidiaries with limited liability, they are required to make annual appropriations to general reserve of 10% of after-tax profits as determined under the PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital.

   (ii) According to the relevant PRC laws and regulations, for private school that does not require for reasonable return, it is required to appropriate to development fund of not less than 25% of the addition of net asset of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund shall be used for the construction or maintenance of the schools or procurement or upgrading of educational equipment.

Consolidated Statement of Cash Flows

For the year ended 31 August 2021

	Year ended 31 August	
	2021	2020
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit before taxation	**1,510,968**	729,581
Adjustments for:		
Share-based payment expenses	**(25,072)**	6,320
Depreciation for property, plant and equipment	**355,569**	256,383
Depreciation of right-of-use assets	**51,747**	49,389
Amortisation of intangible assets	**14,089**	16,277
Share of loss of an associate	**151**	–
Finance costs	**162,056**	92,609
Impairment loss under expected credit loss model, net of reversal	**(4,369)**	27,760
Impairment loss recognised in respect of goodwill	**59,259**	–
Fair value change on financial assets at fair value through profit or loss	**(9,043)**	(18,270)
Fair value change on convertible bonds	**(145,264)**	369,260
Fair value change on construction cost payable for school premises	**34,538**	–
Fair value change of deferred cash considerations	**(9,766)**	–
Asset related government grants	**(28,410)**	(14,380)
Interest income from banks and loan receivables	**(43,426)**	(18,356)
Gain on disposal and deregistration of subsidiaries	**(28,589)**	–
Loss on disposal of property, plant and equipment, net	**3,734**	2,297
Foreign exchange gain, net	**(67,356)**	(18,884)
Operating cash flows before movements in working capital	**1,830,816**	1,479,986
Decrease (increase) in inventories	**310**	(643)
Decrease (increase) in contract costs	**19,126**	(36,552)
Decrease (increase) in trade receivables, deposits, prepayments and other receivables	**45,002**	(176,997)
Decrease in deferred income	**(18,255)**	(5,147)
(Decrease) Increase in trade payables	**(6,343)**	7,606
Increase in other payables and accrued expenses	**126,374**	59,024
(Decrease) increase in provisions	**(15,275)**	23,913
Increase (decrease) in contract liabilities	**558,088**	(420,391)
Cash generated from operations	**2,539,843**	930,799
Income tax paid	**(9,668)**	(19,862)
NET CASH FROM OPERATING ACTIVITIES	**2,530,175**	910,937

Consolidated Statement of Cash Flows

For the year ended 31 August 2021

		Year ended 31 August	
	NOTES	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES			
Purchase of money market funds		(8,335,056)	(1,460,242)
Purchase of structured deposits		(3,602,090)	(3,569,900)
Payments/deposits paid for acquisition of property, plant and equipment		(2,841,152)	(843,760)
Net cash outflow from acquisition of businesses	37	(477,305)	(547,397)
Prepayments for investments	19	(474,200)	(262,800)
Loan advanced to third parties		(368,726)	(35,196)
Settlement of consideration payables		(348,228)	(394,563)
Payment for deposit for right-of-use assets		(113,080)	–
Net cash outflow from acquisition of a group of assets		–	(174,015)
Placement of short-term deposits		(11,800)	(51,966)
Payment for right-of-use assets		(10,035)	(157,163)
Placement of restricted bank deposits		(1,062)	–
Withdrawal of money market funds		7,869,608	1,370,559
Redemption of structured deposits		3,279,722	3,511,164
Repayment of loan to a third party		300,000	–
Withdrawal of short term deposits		51,966	–
Government grants received		37,171	31,080
Interest received from banks, loan receivables and money market funds		36,461	18,356
Withdrawal of restricted bank deposits		30,300	–
Proceed from disposal of a subsidiary		26,500	–
Proceeds from disposal of property, plant and equipment		3,586	2,903
Proceeds from disposal of listed equity securities		–	3,702
Payment for capital contribution to an investment fund		–	(31,303)
NET CASH USED IN INVESTING ACTIVITIES		(4,947,420)	(2,590,541)

Consolidated Statement of Cash Flows

For the year ended 31 August 2021

	Year ended 31 August	
	2021	2020
	RMB'000	*RMB'000*
FINANCING ACTIVITIES		
Dividend paid	**(636,659)**	(410,738)
Repayment of bank borrowings	**(488,537)**	(283,100)
Repayment of other borrowings	**(343,507)**	–
Interest paid	**(296,044)**	(139,180)
Payment for further acquisition of interest in a subsidiary	**(228,000)**	(190,400)
Settlement of long-term construction cost payables for school premises	**(28,445)**	–
Repayment to connected entities to a non-controlling interest	**(54,889)**	–
Repayment of lease liabilities	**(33,416)**	(13,463)
Transaction costs attributable to issue of shares	**(10,512)**	–
Interest paid on lease liabilities	**(4,345)**	(3,127)
New bank borrowings raised	**2,366,440**	769,470
Proceeds from issuance of new shares	**1,696,296**	1,798,502
New other borrowings raised	**421,827**	107,475
Payment of transaction costs attributable to bank and other borrowings	**–**	(5,280)
NET CASH FROM FINANCING ACTIVITIES	**2,360,209**	1,630,159
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(57,036)**	(49,445)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**3,391,104**	3,496,587
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(18,677)**	(56,038)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**3,315,391**	3,391,104
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**3,327,191**	3,443,070
Less: bank deposits with maturity over three months	**(11,800)**	(51,966)
	3,315,391	3,391,104

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands and registered as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 19 May 2017. Its ultimate controlling parties are Mr. Yu and Mr. Xie (Mr. Yu and Mr. Xie collectively as the "Controlling Equity Holders"), who are the Co-chairmen of the board and executive directors of the Company. The shares of the Company had been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 December 2017 (the "Listing"). The address of the registered office of the Company is Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands and the address of principal place of business of the Company is Suite 6703-04, 67/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are engaged in the operation of private higher vocational and secondary vocational education institutions.

The Group conducts a substantial portion of the business through Consolidated Affiliated Entities under Contractual Arrangements (as detailed and defined in note 41) in the PRC.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied "Amendments to References to the Conceptual Framework in IFRS Standards" and the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 September 2020 for the preparation of the consolidated financial statements:

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

Except as described below, the application of the "Amendments to References to the Conceptual Framework in IFRS Standards" and the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Amendments to IFRSs that are mandatorily effective for the current year (Continued)

Impacts on application of Amendments to IAS 1 and IAS 8 "Definition of Material"

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states "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, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[3]
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[5]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[4]
Amendments to IAS 8	Definition of Accounting Estimates[4]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[3]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[3]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 — 2020[3]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 April 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 Effective for annual periods beginning on or after a date to be determined

Except for the amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and amendments to IFRSs in issue but not yet effective (Continued)

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform — Phase 2"

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform — Phase 2" relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying IFRS 7 "Financial Instruments: Disclosures" to accompany the amendments regarding modifications and hedge accounting.

- *Modification of financial assets, financial liabilities and lease liabilities.*

  A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRSs requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16; and

- *Disclosures.*

  The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

  As at 31 August 2021, the Group has several London Interbank Offered Rate ("LIBOR") other borrowings which may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and amendments to IFRSs in issue but not yet effective (Continued)

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 "Financial Instruments: Presentation".

As at 31 August 2021, the Group's outstanding convertible instruments include counterparty conversion options that do not meet equity instruments classification by applying IAS 32. The Group classified as current or non-current based on the earliest date in which the Group has the obligation to redeem these instruments through cash settlement. The convertible instruments were designated as at fair value through profit or loss ("FVTPL") with carrying amount of RMB2,243,571,000 as at 31 August 2021 and is classified as non-current as set out in note 31. Upon the application of the amendments, in addition to the obligation to redeem through cash settlement, the transfer of equity instruments upon the exercise of the conversion options that do not meet equity instruments classification also constitute settlement of the convertible instruments. Given that the convertible options are exercisable anytime, the convertible instruments designated as at FVTPL amounting to RMB2,243,571,000 would be reclassified to current liabilities as the holders have the option to convert within twelve months.

As at 31 August 2021, the Group's right to defer settlement for borrowings of RMB3,188,261,000 are subject to compliance with certain financial ratios within 12 months from the reporting date. Such borrowings were classified as non-current as the Group met such ratios at 31 August 2021. Pending clarification on the application of relevant requirements of the amendments, the Group will further assess whether application of the amendments will have an impact on the classification of these borrowings. The impacts on application, if any, will be disclosed in the Group's future consolidated financial statements.

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group's other liabilities as at 31 August 2021.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and amendments to IFRSs in issue but not yet effective (Continued)

Amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 "Income Taxes" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 August 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB91,392,000 and RMB106,438,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements, include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration of the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets of RMB373,161,000 as at 31 August 2021. The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The directors of the Company consider that after taking into account the internal fund resources and placings subsequent to the end of the reporting period, the Group will have sufficient working capital to satisfy its present requirements for at least twelve months from the date of approval of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements are determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with IFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for asset or liability.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including the Consolidated Affiliated Entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the reporting period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policy.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Business combination or asset acquisition

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisition

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's "Framework for the Preparation and Presentation of Financial Statements" (replaced by the "Conceptual Framework for Financial Reporting" issued in September 2010).

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Business combination or asset acquisition (Continued)

Business combination (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the fair value of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the fair value of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Business combination or asset acquisition (Continued)

Business combination (Continued)

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

Indemnification assets

Indemnification assets are recognised at acquisition dates upon business combination as assets and on the same basis as the indemnified items which are recognised as liabilities of the acquired subsidiaries, and are subject to impairment assessment at the end of the reporting period based on the evaluation of collectability. Indemnification assets are only derecognised when collected, disposed or when rights to it are lost.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Goodwill (Continued)

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contract with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligations, representing tuition, boarding and ancillary services, are transferred to the students.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Contract liabilities represent the Group's obligation to transfer goods or services to the students for which the Group has received tuition fees, boarding fees and fees for ancillary services from the students.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs (mainly representing teaching staff costs, rental expenses and depreciation of school premises) to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contract with customers (Continued)

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (commissions to agents for successful referral of students) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised 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 assets relate.

Leases

Definition of 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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, where appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of school premises, office premises, and staff quarters that have a lease term of twelve months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relevant stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Sale and leaseback transactions

The Group applies the requirements of IFRS 15 "Revenue from contract with customers" to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as other borrowings within the scope of IFRS 9.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of 'exchange reserve' (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and presented in "other income" line item.

Retirement benefit costs

Payments to defined contribution retirement benefit plan, state-managed retirement benefit scheme, Mandatory Provident Fund Scheme ("MPF Scheme") and defined contribution superannuation plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using the most likely amount.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for a property interest which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash generating units.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or the group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or the group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Except for financial assets at FVTPL, all other financial assets including trade receivables, deposits and other receivables, restricted bank deposits, short-term deposits and bank balances and cash are subsequently measured at amortised costs.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the assets is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other expense, other gains and losses" line item.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, deposits and other receivables, restricted bank deposits, and bank balances) and other item (loan commitments) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of reporting period as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables arising from revenue from contracts with customers.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly: (Continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For loan commitment, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

Despite the aforegoing, the Group assumes that the credit risk on the restricted bank deposits and most of the bank balances has not increased significantly since initial recognition as the restricted bank deposits and most of the bank balances are determined to have low credit risk at the reporting date. The restricted bank deposits and most of the bank deposits are considered to have low credit risk as they are deposited with the financial institutions which have an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, The Group considers that default has occurred when a financial assets is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, or in the case of trade receivables, when the student drops out from the tuition programme, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For undrawn loan commitment, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on loan commitment for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Lifetime ECL for trade receivable from students are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature and size of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for loan commitments, the Group recognises an impairment gain or loss in profit or loss for all financial instruments through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification of debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables, and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bonds, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Convertible bonds

At the date of issue, both the debt component and derivative components are recognised at fair value and the convertible bonds are designated as at FVTPL. In subsequent period, changes in fair value are recognised in profit or loss as fair value gain or loss except for changes in the fair value that is attributable to changes in the credit risk (excluding changes in fair value of the derivatives component) is recognised in other comprehensive income, unless the recognition of the effects of changes in the credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to the credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss, they are transferred to retained profits upon derecognition.

Transaction costs relating to the issue of the convertible bonds charged to profit or loss immediately.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Derecognition of financial liabilities

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the management of the Group have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgments in applying accounting policies (Continued)

(a) Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities (as detailed and defined in note 41) in the PRC due to regulatory restrictions on foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities. The management of the Group assessed whether or not the Group has control over the Consolidated Affiliated Entities based on whether the Group has the power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities. After assessment, the management of the Group concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Arrangements (as detailed and defined in note 41) and other measures and accordingly, the assets, liabilities and their operating results of the Consolidated Affiliated Entities are included in the consolidated financial statements throughout the year or since the respective dates of incorporation/establishment/acquisition, whichever is the shorter period.

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

(b) Intangible assets with indefinite useful lives

The management considers that the brand names, as set out in note 16, for all practical purposes have indefinite useful lives and are therefore not amortised until their useful lives are determined to be finite. The brand names are tested for impairment annually.

Key sources of estimation uncertainty

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

(a) Fair value measurement of convertible bonds

Convertible bonds amounting to RMB2,243,571,000 as at 31 August 2021 (2020: RMB2,428,247,000) are measured at FVTPL with fair values being determined based on unobservable inputs, including expected volatility of share price and discount rate, using valuation technique. Judgement and estimation are required in establishing the relevant valuation technique and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of convertible bonds. Further disclosures of the convertible bonds are set out in notes 31 and 36(c).

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

(b) *Valuation of intangible assets and impairment assessment of goodwill and intangible assets with indefinite useful life*

The Group recognised goodwill and intangible assets in acquisition of business, which requires estimation on discount rates and growth rates for student number, tuition fee and cost of revenue in respect of the acquisition. Furthermore, determine whether goodwill and brand names with indefinite useful life are impaired requires an estimation of the recoverable amount of the cash-generating units ("CGUs") to which goodwill and brand names have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the present value of the future cash flows expected to arise from the CGUs containing goodwill and brand names using suitable discount rates. Key assumptions and estimates include the discount rates, growth rates for student number, tuition fee and cost of revenue and situation of COVID-19 used in the value in use calculations. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss may arise. During the year ended 31 August 2021, the Group recognised goodwill and intangible asset with indefinite useful life of RMB1,492,909,000 (2020: RMB213,241,000) and RMB955,379,000 (2020: RMB571,773,000), respectively upon acquisition of business as detailed in note 37. As at 31 August 2021, the carrying amounts of goodwill and brand names were RMB3,211,079,000 and RMB3,207,493,000 (2020: RMB1,792,266,000 and RMB2,291,899,000), respectively. Details of the calculation of recoverable amounts are disclosed in note 17.

(c) *Useful life of property, plant and equipment*

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. The management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down assets that have been abandoned or impaired. At 31 August 2021, the carrying amount of property, plant and equipment was RMB12,126,263,000 (2020: RMB6,846,583,000). Any changes in these estimates may have a material impact on the results of the Group.

(d) *Income taxes*

Management estimation is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to PRC Enterprise Income Tax ("EIT") as disclosed in note 9. In addition, the Group provides deferred tax liabilities arising from business combinations. New information may become available that causes the Group to change its estimation regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period in which the new information are available based on the development of the Implementation Rules and other relevant tax rules and regulation.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

(d) Income taxes (Continued)

In addition, as at 31 August 2021, a deferred tax asset of RMB13,117,000 (2020: RMB18,158,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the Group's consolidated statement of financial position. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

5. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the provision of private higher vocational and secondary vocational education institution services.

Revenue represents services income from tuition, boarding fee and ancillary services, each being single performance obligations.

In the current year, the names of reportable segments of "Higher Education" and "Vocational Education" were changed to "Higher Vocational Education" and "Secondary Vocational Education" respectively to reflect the substance of the businesses carried out. Prior year segment disclosures have been represented to conform with the current year's presentation.

Information reported to the Group's chief operating decision maker ("CODM"), being the directors of the Company, for the purpose of resource allocation and assessment of segment performance, was based on the categories of education institution, namely higher vocational education, secondary vocational education and global education. Higher vocational education institutions mainly deliver bachelor's degree programmes, junior college diploma programmes and continuing education programmes in the PRC. Secondary vocational education institutions mainly deliver secondary vocational diploma programmes, post-secondary vocational diploma programmes and technician diploma programmes in the PRC. Global education institutions mainly deliver master's degree programmes, graduate certificate programmes, graduate diploma programmes, bachelor's degree programmes and undergraduate diploma programmes in the overseas. Each category of institution constitutes an operating segment and reportable segment.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Higher vocational education *RMB'000*	**Secondary vocational education** *RMB'000*	**Global education** *RMB'000*	**Total** *RMB'000*
For the year ended 31 August 2021				
Revenue	**2,759,594**	**702,815**	**220,031**	**3,682,440**
Segment results	**1,364,667**	**342,786**	**74,975**	**1,782,428**
Investment income				**43,426**
Other expense, other gains and losses				**(240,372)**
Fair value change on convertible bonds				**145,264**
Finance costs				**(162,056)**
Unallocated corporate income and expenses				**(57,722)**
Profit before taxation				**1,510,968**

	Higher vocational education *RMB'000*	Secondary vocational education *RMB'000*	Global education *RMB'000*	Total *RMB'000*
For the year ended 31 August 2020				
Revenue	1,744,427	736,254	197,407	2,678,088
Segment results	825,788	392,755	65,364	1,283,907
Investment income				18,356
Other gains and losses				(33,978)
Fair value change on convertible bonds				(369,260)
Finance costs				(92,609)
Unallocated corporate income and expenses				(76,835)
Profit before taxation				729,581

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

	Higher vocational education *RMB'000*	**Secondary vocational education** *RMB'000*	**Global education** *RMB'000*	**Unallocated** *RMB'000*	**Total** *RMB'000*
For the year ended 31 August 2021					
Depreciation of property, plant and equipment	**303,398**	**48,365**	**1,879**	**1,927**	**355,569**
Amortisation of intangible assets	**–**	**14,089**	**–**	**–**	**14,089**
Depreciation of right-of-use assets	**32,724**	**6,357**	**8,433**	**4,233**	**51,747**
Impairment losses on goodwill recognised in profit or loss	**–**	**59,259**	**–**	**–**	**59,259**

	Higher vocational education *RMB'000*	Secondary vocational education *RMB'000*	Global education *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
For the year ended 31 August 2020					
Depreciation of property, plant and equipment	204,144	47,977	2,639	1,623	256,383
Amortisation of intangible assets	–	16,277	–	–	16,277
Depreciation of right-of-use assets	35,471	2,050	11,868	–	49,389

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by each segment without allocation of investment income, other expense, other gains and losses, fair value change on convertible bonds, finance costs and central administrative expenses. This is the measure reported to the CODM of the Group for the purpose of resource allocation and performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

Revenue from major services

The following is an analysis of the Group's revenue by types of services:

	Higher vocational education *RMB'000*	**Secondary vocational education** *RMB'000*	**Global education** *RMB'000*	**Total** *RMB'000*
Year ended 31 August 2021				
Tuition fees recognised over time	**2,522,505**	**632,662**	**220,031**	**3,375,198**
Boarding fees recognised over time	**209,710**	**54,238**	**–**	**263,948**
Ancillary services recognised over time	**27,379**	**15,915**	**–**	**43,294**
	2,759,594	**702,815**	**220,031**	**3,682,440**

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For the year ended 31 August 2021

5. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue from major services (Continued)

	Higher vocational education RMB'000	Secondary vocational education RMB'000	Global education RMB'000	Total RMB'000
Year ended 31 August 2020				
Tuition fees recognised over time	1,600,722	654,661	197,407	2,452,790
Boarding fees recognised over time	119,651	60,459	–	180,110
Ancillary services recognised over time	24,054	21,134	–	45,188
	1,744,427	736,254	197,407	2,678,088

The Group's contracts with students for higher vocational education and secondary vocational education programmes in the PRC are normally with duration of 1 year and renewed up to total duration of 3–5 years depending on the education programmes while for higher vocational education programmes in Australia are normally with duration of 4 months and renewed up to total duration of 1–3 years. Contract period for boarding fees are normally with duration of 1 year. Tuition and boarding fees are fixed, determined and paid by the students before the start of each school year or trimester, while the ancillary services are charged based on students' usage at a fixed rate.

Geographical information

The Group operates in the PRC and Australia.

Information about the Group's revenue from customers is presented based on the location of operations and the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from customers Year ended 31 August		Non-current assets *(Note)* At 31 August	
	2021 *RMB'000*	2020 *RMB'000*	**2021** *RMB'000*	2020 *RMB'000*
The PRC	**3,462,409**	2,480,681	**20,008,296**	12,004,320
Australia	**220,031**	197,407	**846,366**	909,412
Hong Kong	**–**	–	**3,445**	2,133
	3,682,440	2,678,088	**20,858,107**	12,915,865

Note: Non-current assets excluded deferred tax assets.

5. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

No single customer contributes over 10% or more of total revenue of the Group during the years ended 31 August 2021 and 2020.

Transaction price allocated to the remaining performance obligation for contracts with customers

The contracts for tuition fees, boarding fess and fees for ancillary 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.

6. OTHER INCOME

	Year ended 31 August	
	2021	2020
	RMB'000	*RMB'000*
Government grants *(Note)*	**45,276**	33,299
Academic administration income	**49,818**	22,930
Management fee income	**69,150**	36,947
Staff quarter income	**5,035**	4,152
Utilities income	**7,267**	4,472
Internet service income	**6,520**	4,699
Others	**9,156**	6,777
	192,222	113,276

Note: Government grants mainly represent subsidies from government for procurement of laboratory apparatus and equipment and conducting educational programmes for both years.

7a. INVESTMENT INCOME

	Year ended 31 August	
	2021	2020
	RMB'000	*RMB'000*
Interest income from banks	**24,042**	18,356
Interest income from loan receivables	**19,384**	–
	43,426	18,356

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7b. OTHER EXPENSE, OTHER GAINS AND LOSSES

	Year ended 31 August	
	2021	2020
	RMB'000	*RMB'000*
Other expense		
Fees for conversion of certain independent colleges into private universities *(note 26 (vi))*	**(227,520)**	–
Other gains and losses		
Foreign exchange gain, net	**33,063**	42,964
Impairment loss under expected credit loss model, net of reversal		
— trade receivables *(note 21)*	**(5,939)**	(6,287)
— other receivables and deposits *(note 21)*	**8,972**	(15,473)
— loan receivables and commitment *(note 21)*	**1,336**	(6,000)
Impairment loss recognised in respect of goodwill *(note 17)*	**(59,259)**	–
Loss on disposal of property, plant and equipment, net	**(3,734)**	(2,297)
Fair value change on financial assets at FVTPL	**9,043**	18,270
Refund of boarding fee	**–**	(65,155)
Fair value change on construction cost payables for school premises	**(34,538)**	–
Gain on disposal and deregistration of subsidiaries	**28,589**	–
Fair value change of deferred cash considerations	**9,766**	–
Share of loss of an associate	**(151)**	–
	(12,852)	(33,978)
	(240,372)	(33,978)

8. FINANCE COSTS

	Year ended 31 August	
	2021	2020
	RMB'000	*RMB'000*
Imputed interest on deferred cash considerations	**11,703**	18,309
Interest expenses on bank and other borrowings	**248,790**	90,491
Interest on lease liabilities	**4,692**	4,512
Imputed interest for fees payable for conversion of certain independent colleges into private universities	**4,328**	–
Imputed interest on amount due to connected party of a non-controlling interest	**13,393**	–
Less: amounts capitalised in the cost of property, plant and equipment	**(120,850)**	(20,703)
	162,056	92,609

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.55% per annum (2020: 5.83% per annum), to expenditure on property, plant and equipment (construction in progress).

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

9. TAXATION

	Year ended 31 August	
	2021	2020
	RMB'000	*RMB'000*
Current tax		
— EIT	**(21,800)**	(4,064)
— Australian Corporate Income Tax	**(21,674)**	(20,410)
Overprovision in prior years — EIT	**1,907**	6,568
Deferred tax *(note 30)*	**2,361**	(1,324)
	(39,206)	(19,230)

The taxation can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 August	
	2021	2020
	RMB'000	*RMB'000*
Profit before taxation	**1,510,968**	729,581
Tax at PRC EIT rate of 25%	**377,742**	182,395
Tax effect of income not taxable for tax purposes	**(970,782)**	(622,035)
Tax effect of expenses not deductible for tax purposes	**628,551**	460,118
Overprovision in respect of prior years	**(1,907)**	(6,568)
Effect of concessionary tax rates applicable to subsidiaries of the Group	**(11,265)**	(4,953)
Effect of difference in tax rates applicable to subsidiaries of the Group	**16,867**	10,273
Tax charge for the year	**39,206**	19,230

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit subject to Hong Kong Profits Tax for both years.

All group entities incorporated in Australia are subjected to corporate income tax rate of 30% for both years.

Pursuant to the Enterprise Income Tax law and Implementation Regulations of the Law of the PRC (the "EIT Law of PRC"), the statutory tax rate of PRC subsidiaries is 25% for both years, except for 華教教育科技(江西)有限公司 (Huajiao Education Technology (Jiangxi) Company Limited) ("Huajiao Education") which has been granted concessionary tax rate of 15% for the 10 calendar years ending 31 December 2030 (2020: for 10 calendar years ending 31 December 2030) from tax authority of Ganzhou, the PRC, and 禮和教育諮詢(贛州)有限公司 (Lihe Education Consulting (Ganzhou) Company Limited ("Lihe Education") which is eligible for a lower tax rate of 20% as a small profit enterprise.

9. TAXATION (Continued)

According to the relevant provisions of Implementation Rules for the Law for Promoting Private Education and the Implementation Rules, private schools for which the school sponsors do not require reasonable returns/schools are elected as to be not-for-profit schools that are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns or the schools are elected to be not-for-profit schools. Although the detailed Implementation Rules of Law for Promoting Private Education has been announced with effective from 1 September 2021, 江西科技學院 ("Jiangxi University of Technology"), 廣東白雲學院 ("Guangdong Baiyun University"), 廣州市白雲工商技師學院 ("Baiyun Technician College"), 鄭州城軌交通中等專業學校 ("Zhengzhou Transit School"), 西安鐵道技師學院 ("Xi'an Railway College"), 廣州應用科技學院 (Guangzhou College of Applied Science and Technology) (formerly known as 廣州大學松田學院 (Guangzhou University Songtian College)) ("Guangzhou College"), 廣州松田職業學院 (Guangzhou Songtian Polytechnic College) ("Songtian Polytechnic College"), 煙台科技學院 (Yantai Institute of Science and Technology) (formerly known as 濟南大學泉城學院 (Jinan University Quancheng College)) ("Yantai Institute") and 重慶外語外事學院 (Chongqing Institute of Foreign Studies) (formerly known as 四川外國語大學重慶南方翻譯學院 (Chongqing Nanfang Translators College of Sichuan International Studies University)) ("Chongqing Institute") have not yet elected to be for-profit or not-for-profit schools since it was not compulsory to be elected , up to the end of the reporting period. Considering that the relevant taxation policy regarding schools elected as for-profit or not-for-profit remains unchanged and no further new and specific tax implementation regulations are announced, if the school nature has not yet been changed, the schools could follow previous EIT exemption treatment for the tuition related income according to the current tax practice. During the year ended 31 August 2021, the non-taxable tuition related income amounted to approximately RMB3,419,115,000 (2020: RMB2,435,493,000), and the related non-deductible expense amounted to approximately RMB1,964,624,000 (2020: RMB1,350,066,000). If the schools were elected to be for-profit, the schools may not be able to follow the previous EIT exemption treatment for the tuition and certain related incomes upon election. Consequently, the discontinuation of the preferential tax treatment would cause an increase in the tax expense.

10. PROFIT FOR THE YEAR

	Year ended 31 August	
	2021	2020
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration *(note 11)*		
— salaries and other allowances	**870,665**	664,204
— retirement benefit scheme contributions	**141,132**	89,807
— share-based payments	**(25,072)**	6,320
Total staff costs	**986,725**	760,331
Depreciation of property, plant and equipment	**355,569**	256,383
Depreciation of right-of-use assets	**51,747**	49,389
Amortisation of intangible assets (included in cost of revenue)	**14,089**	16,277
Auditor's remuneration	**5,250**	4,950

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11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors and chief executive

Details of the emoluments paid or payable by the Group to the directors and chief executive of the Company (including emoluments for services as employees/directors of the group entities) for the year are as follows:

	Directors' fee *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*
For the year ended 31 August 2021			
Executive directors:			
Mr. Yu	960	97	1,057
Mr. Xie	960	80	1,040
Dr. Yu *(Note)*	2,302	113	2,415
Ms. Xie	2,242	15	2,257
Independent non-executive directors:			
Gerard A. Postiglione	237	–	237
Rui Meng	237	–	237
Wu Kin Bing	237	–	237
	7,175	305	7,480

	Directors' fee *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*
For the year ended 31 August 2020			
Executive directors:			
Mr. Yu	986	77	1,063
Mr. Xie	986	57	1,043
Dr. Yu *(Note)*	2,447	83	2,530
Ms. Xie	2,394	16	2,410
Independent non-executive directors:			
Gerard A. Postiglione	253	–	253
Rui Meng	253	–	253
Wu Kin Bing	253	–	253
	7,572	233	7,805

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11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Directors and chief executive (Continued)

In addition to the directors' emoluments disclosed above, the estimated fair values of the share options granted under the Pre-IPO Share Option Scheme (as defined and detailed in note 34(a)) which was adopted and effective on 27 November 2017 to Mr. Yu, Mr. Xie, Dr. Yu and Ms. Xie amounting to RMB2,039,000, RMB2,039,000, RMB2,039,000 and RMB2,039,000 (2020: RMB6,213,000, RMB6,213,000, RMB6,213,000 and RMB6,213,000), respectively, are recognised as equity-settled share-based payments for the year ended 31 August 2021. The estimated fair value of the share options granted was calculated by the Binomial model as detailed in note 34.

During the year ended 31 August 2021, there are 6,000,000 (2020: 8,000,000) share options in aggregate held by Mr. Yu, Mr. Xie, Dr. Yu and Ms. Xie not vested ultimately as the performance targets have not been achieved as determined by the remuneration committee of the Company during the vesting period. The Group reversed the previously recognised share options expenses of RMB8,703,000, RMB8,703,000, RMB8,703,000 and RMB8,703,000 in respect of such share options. (2020: RMB6,415,000, RMB6,415,000, RMB6,415,000 and RMB6,415,000).

Details of the Pre-IPO Share Option Scheme are set out in note 34. With the inclusion of the net reversal of equity-settled share-based payments amounting to RMB6,664,000 for each of the above directors (2020: RMB202,000 for each), the total negative remunerations of Mr. Yu, Mr. Xie, Dr. Yu and Ms. Xie for the year ended 31 August 2021 amounted of RMB5,607,000, RMB5,624,000, RMB4,249,000 and RMB4,407,000 (2020: total remunerations of RMB861,000, RMB841,000, RMB2,328,000 and RMB2,208,000), respectively.

The executive directors' emoluments shown above were paid for their services in connection with the management of affairs and for their services as directors of the Company and the Group for the year. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Note: Dr. Yu, son of Mr. Yu, is also the chief executive of the Company and his emoluments disclosed above included those for services rendered by him as the chief executive of the Company.

Employees

The five highest paid individuals of the Group did not include any directors for the year ended 31 August 2021 (2020: included 2 directors) whose emoluments are included in the disclosures above. The emoluments of the remaining 5 individuals for the year ended 31 August 2021 (2020: 3 individuals) are as follows:

	Year ended 31 August	
	2021	2020
	RMB'000	*RMB'000*
Salaries and other benefits	**7,817**	6,557
Discretionary bonus	**2,021**	2,698
Retirement benefit scheme contributions	**258**	83
Equity-settled share-based payments	**(1,561)**	156
	8,535	9,494

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11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Employees (Continued)

The number of the highest paid individuals, other than directors of the Company, whose emoluments fell within the following bands is as follows:

	Year ended 31 August	
	2021 *Number of employee*	2020 *Number of employee*
Hong Kong Dollar ("HK$") 1,500,001 to HK$2,000,000	**2**	–
HK$2,000,001 to HK$2,500,000	**2**	–
HK$2,500,001 to HK$3,000,000	**1**	1
HK$3,500,001 to HK$4,000,000	**–**	1
HK$4,500,001 to HK$5,000,000	**–**	1

During the years ended 31 August 2021 and 2020, no emoluments was paid by the Group to the directors of the Company or the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors of the Company or the chief executive of the Company waived or agreed to waive any emoluments during both years.

During the years ended 31 August 2021 and 2020, certain non-director and non-chief executive employees were granted share options, in respect of their services to the Group under the Post-IPO Share Option Schemes of the Company. Details of the share option schemes are set out in note 34 to the Group's consolidated financial statements.

12. DIVIDENDS

During the year, the Company recognised the following dividend as distribution:

	Year ended 31 August	
	2021 *RMB'000*	2020 *RMB'000*
Final dividend for the year ended 31 August 2020 of HK13.9 cents (2020: HK9.0 cents final dividend for the year ended 31 August 2019) per ordinary share	**263,644**	161,080
Interim dividend for the six months ended 28 February 2021 of HK19.7 cents (2020: HK13.4 cents interim dividend for six months ended 29 February 2020) per ordinary share	**373,015**	249,658
	636,659	410,738

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 August 2021 of HK20.2 cents per ordinary share (2020: HK13.9 cents per ordinary share), in an aggregate amount of HK$482,631,000 (2020: HK$298,881,000), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

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13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Year ended 31 August	
	2021	2020
	RMB'000	*RMB'000*
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of calculating basic earnings per share	**1,443,799**	633,202
Effect of dilutive potential ordinary shares:		
Fair value change on convertible bonds	**(145,264)**	–
Profit for the year attributable to owners of the Company for the purpose of calculating dilutive earnings per share	**1,298,535**	633,202

	Year ended 31 August	
	2021	2020
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,220,433**	2,024,125
Effect of dilutive potential ordinary shares:		
Share options granted under Pre-IPO Share Option Scheme	**17,576**	15,394
Share options granted under Post-IPO Share Option Scheme	**111**	–
Convertible bonds	**165,555**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,403,675**	2,039,519

The computation of diluted earnings per share for the year ended 31 August 2020 did not assume the exercise of the Company's share options granted under the Post-IPO Share Option Scheme as defined in note 34 as the exercise price of these options was higher than the market price for shares for the year and the conversion of convertible bonds as detailed in note 31 as the potential ordinary shares are anti-dilutive.

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14. PROPERTY, PLANT AND EQUIPMENT

	Owned properties RMB'000	Leasehold improvements RMB'000	Motor vehicles RMB'000	Furniture, fixtures and office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 September 2019	4,880,487	394,951	40,379	664,862	925,560	6,906,239
Additions	12,574	31,410	3,936	194,191	726,440	968,551
Acquisition of a business and a subsidiary	278,460	4,855	183	4,686	83	288,267
Transfer	938,231	19,434	–	–	(957,665)	–
Disposals	(3,341)	–	(3,279)	(24,473)	–	(31,093)
Exchange difference	–	328	11	317	–	656
At 31 August 2020	6,106,411	450,978	41,230	839,583	694,418	8,132,620
Additions	15,220	50,594	2,867	225,671	2,911,763	3,206,115
Acquisition of businesses *(note 37)*	2,326,675	41,523	881	61,160	6,929	2,437,168
Transfer	3,001,009	33,721	–	9,935	(3,044,665)	–
Disposals	–	(720)	(4,542)	(60,250)	–	(65,512)
Exchange difference	–	(407)	(204)	(383)	–	(994)
At 31 August 2021	11,449,315	575,689	40,232	1,075,716	568,445	13,709,397
DEPRECIATION						
At 1 September 2019	471,599	149,888	31,945	402,036	–	1,055,468
Provided for the year	120,616	39,275	2,958	93,534	–	256,383
Eliminated on disposals	(165)	–	(3,132)	(22,596)	–	(25,893)
Exchange difference	–	23	1	55	–	79
At 31 August 2020	592,050	189,186	31,772	473,029	–	1,286,037
Provided for the year	187,987	48,344	3,129	116,109	–	355,569
Eliminated on disposals	–	(336)	(4,196)	(53,660)	–	(58,192)
Exchange difference	–	(78)	(42)	(160)	–	(280)
At 31 August 2021	780,037	237,116	30,663	535,318	–	1,583,134
CARRYING VALUE						
At 31 August 2021	10,669,278	338,573	9,569	540,398	568,445	12,126,263
At 31 August 2020	5,514,361	261,792	9,458	366,554	694,418	6,846,583

The above items of property, plant and equipment, other than construction in progress, after taking into account their estimated residual value, are depreciated on a straight-line basis at the following useful life:

Owned properties	Over the shorter of 50 years or the terms of the leases
Leasehold improvements	Over the shorter of 10 years or the terms of the leases
Motor vehicles	4–5 years
Furniture, fixtures and office equipment	4–5 years

At 31 August 2021, the Group is in the process of obtaining the property certificates for the owned properties with carrying value of approximately RMB2,821,020,000 (2020: RMB985,916,000) which are located in the PRC. In the opinion of the management of the Group, the absence of formal title does not impair the value of the relevant owned properties and the formal title of these owned properties will be granted to the Group in due course.

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15. RIGHT-OF-USE ASSETS

	Leasehold lands *RMB'000*	Leased properties *RMB'000*	Total *RMB'000*
As at 31 August 2021			
Carrying amount	**1,401,565**	**91,392**	**1,492,957**
As at 31 August 2020			
Carrying amount	1,422,055	88,804	1,510,859
For the year ended 31 August 2021			
Depreciation charge	**30,524**	**21,223**	**51,747**
For the year ended 31 August 2020			
Depreciation charge	27,454	21,935	49,389

	Year ended 31 August 2021 ***RMB'000***	Year ended 31 August 2020 *RMB'000*
Expense relating to short-term leases	**2,268**	15,290
Total cash outflow for leases	**50,064**	193,555
Additions to right-of-use assets from		
— acquisition of a business	**–**	59,614
— acquisition of a subsidiary	**–**	194,689
— new leases of lands in the PRC	**10,035**	168,530
— lease modification	**–**	15,984
— new leases of properties in the PRC	**18,878**	350
— new leases of properties in HK	**4,002**	–
— new leases of properties in the Australia	**4,863**	–

The above items of right-of-use assets are depreciated on a straight-line basis over the terms of the leases.

The Group leases school premises, office premises, student dormitories and staff quarters for its operations and school premises for operation. Lease contracts are entered into for fixed term of 1.5 years to 13 years, but may have extension option as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

15. RIGHT-OF-USE ASSETS (Continued)

In addition, the Group owns several school buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

At 31 August 2021, the carrying value of leasehold lands of RMB23,740,000 (2020: RMB24,276,000) was allocated by the government, which have no definite lease term stated in the relevant land use rights certificates. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or pledge as security such land use rights allocated by the government.

During the year, the Group entered into new lease agreements for the use of certain leased properties. On the lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB27,743,000 (2020: RMB11,367,000) and RMB27,743,000 (2020: RMB11,367,000), respectively.

The Group regularly entered into short-term leases for school premises, office premises and student dormitories. As at 31 August 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

The Group has extension option in one lease. This is used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The only one extension option held is exercisable only by the Group and not by the lessor.

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option which has been included in determination of lease term at date of initial application of IFRS 16, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 August 2021, there is no such triggering event.

In addition, lease liabilities of RMB106,438,000 (2020: RMB115,934,000) are recognised with related right-of-use assets of RMB91,392,000 (2020: RMB88,804,000) as at 31 August 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Sale and leaseback transactions — seller-lessee

To better manage the Group's capital structure and financing needs, the Group would consider entering into sale and leaseback arrangements in relation to leasehold improvements and furniture, fixtures and office equipment. These legal transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale of certain plant and equipment amounting to RMB641,932,000 as collaterals. During the year ended 31 August 2021, the Group has raised RMB621,625,000 borrowings in respect of such sale and leaseback arrangements.

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16. GOODWILL AND INTANGIBLE ASSETS

		Intangible assets		
	Goodwill *RMB'000* *(Note (i))*	Brand names *RMB'000* *(Note (ii))*	Student rosters *RMB'000* *(Note (iii))*	Total *RMB'000*
COST				
At 1 September 2019	1,565,905	1,684,945	80,825	1,765,770
Acquisition of a business	213,241	571,773	–	571,773
Exchange realignment	13,120	35,181	–	35,181
At 31 August 2020	**1,792,266**	**2,291,899**	**80,825**	**2,372,724**
Acquisition of businesses *(note 37)*	**1,492,909**	**955,379**	**20,848**	**976,227**
Exchange realignment	**(14,837)**	**(39,785)**	**–**	**(39,785)**
At 31 August 2021	**3,270,338**	**3,207,493**	**101,673**	**3,309,166**
AMORTISATION AND IMPAIRMENT				
At 1 September 2019	–	–	57,613	57,613
Charge for the year	–	–	16,277	16,277
At 31 August 2020	**–**	**–**	**73,890**	**73,890**
Impairment loss recognised in the year	**59,259**	**–**	**–**	**–**
Charge for the year	**–**	**–**	**14,089**	**14,089**
At 31 August 2021	**59,259**	**–**	**87,979**	**87,979**
CARRYING VALUES				
At 31 August 2021	**3,211,079**	**3,207,493**	**13,694**	**3,221,187**
At 31 August 2020	1,792,266	2,291,899	6,935	2,298,834

Notes:

i. Particulars regarding impairment testing on goodwill are disclosed in note 17.

ii. Brand name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars of the impairment testing are disclosed in note 17.

iii. Student roster has finite estimated useful lives and it is amortised based on expected usage of student roster.

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17. IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and brand names with indefinite useful lives set out in note 16 have been allocated to eight individual CGUs (2020: six individual CGUs) and a group of CGUs, comprising of five higher vocational education, four secondary vocational education and one global education operations (2020: four higher vocational education operations, three secondary vocational education and one global education operations). The carrying amounts of goodwill and brand names (net of accumulated impairment losses, if any) as at 31 August 2021 and 2020 allocated to these units are as follows:

	Goodwill At 31 August		Brand names with indefinite useful life At 31 August	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Higher Vocational Education				
Guangzhou College and Songtian Polytechnic College	**366,573**	366,573	**409,685**	409,685
Yantai Institute	**110,776**	110,776	**114,872**	114,872
Chongqing Institute	**172,003**	172,003	**221,903**	221,903
Haikou University of Economics	**1,281,420**	–	**910,392**	–
Secondary vocational Education				
Baiyun Technician College	**325,629**	325,629	**200,396**	200,396
Zhengzhou Transit School	**276,783**	336,042	**381,643**	381,643
Xi'an Railway College	**254,882**	254,882	**356,446**	356,446
Affiliated Art School of Haikou University of Economics	**211,489**	–	**44,987**	–
Global Education				
King's Own Institute ("KOI")	**211,524**	226,361	**567,169**	606,954
	3,211,079	1,792,266	**3,207,493**	2,291,899

In addition to goodwill and brand names with indefinite useful life above, property, plant and equipment, intangible assets and right-of-use assets (including allocation of corporate assets) that generate cash flows together with the related goodwill and brand names with indefinite useful life are also included in the respective CGU for the purpose of impairment assessment. The sensitivity analysis below has been determined based on multiplying a further possible change in discount rates underlying the calculation of value in use of respective CGU by 105% (2020: 110%), or drop in student intake in first year of forecast period by 20% (2020: 20%) in certain CGUs.

During the year ended 31 August 2021, the recoverable amount of the CGU of Zhengzhou Transit School has been determined based on its value in use. The Group estimates the value in use of this CGU and carrying amount of the aforementioned assets of this CGU was impaired to recoverable amount of this CGU. Except for the above, during the years ended 31 August 2021 and 2020, the management of the Group determines that there is no impairment of any other CGUs or group of CGUs containing goodwill and brand names with indefinite useful lives.

17. IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

The basis of the recoverable amounts of the above CGUs and group of CGUs and their major underlying assumptions are summarised below:

Guangzhou College and Songtian Polytechnic College

The recoverable amount of this group of units has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 15.93% (2020: 16.43%). The group of CGUs' cash flows beyond the five-year period are extrapolated using a steady 2% (2020: 2%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include growth rates of student number, tuition fee and cost of revenue, such estimation is based on the group of units' past performance and the management's expectations for the market development.

If the discount rate changed to 16.73% (2020: 18.07%) while other parameters remain constant, the aggregate carrying amount of this group of CGUs would exceed their corresponding recoverable amounts by RMB75,813,000 (2020: RMB135,393,000); if the discount rate changed to 16.43% (2020: 17.02%) while other parameters remain constant, the recoverable amount of this group of CGUs would be approximately equal to its carrying amount; save for the above scenarios, the management of the Group believes that any reasonably possible change in any of the aforementioned key assumptions other than discount rate would not cause the aggregate carrying amount of this group of CGUs to materially exceed the recoverable amount of this group of CGUs.

Yantai Institute

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 16.40% (2020: 16.43%). The CGU's cash flows beyond the five-year period are extrapolated using a steady 2% (2020: 2%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include growth rates of student number, tuition fee and cost of revenue, such estimation is based on the unit's past performance and the management's expectations for the market development.

If the discount rate changed to 17.22% (2020: 18.07%) while other parameters remain constant, the aggregate carrying amount of this CGU would exceed its corresponding recoverable amount by RMB6,384,000 (2020: RMB34,463,000); if the discount rate changed to 17.15% (2020: 17.65%) while other parameters remain constant, the recoverable amount of this CGU would be approximately equal to its carrying amount; save for the above scenario, the management of the Group believes that any reasonably possible change in any of the aforementioned key assumptions other than discount rate would not cause the aggregate carrying amount of this CGU to materially exceed the recoverable amount of this CGU.

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17. IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

Chongqing Institute

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 15.52% (2020: 15.45%). The CGU's cash flows beyond the five-year period are extrapolated using a steady 2% (2020: 2%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include growth rates of student number, tuition fee and cost of revenue, such estimation is based on the unit's past performance and the management's expectations for the market development.

If the discount rate changed to 16.30% (2020: 17.00%) while other parameters remain constant, the aggregate carrying amount of this CGU would not exceed its corresponding recoverable amount (2020: Nil); if the discount rate changed to 16.81% (2020: 18.01%) while other parameters remain constant, the recoverable amount of this CGU would be approximately equal to its carrying amount; save for the above scenarios, the management of the Group believes that any reasonably possible change in any of the aforementioned key assumptions other than discount rate would not cause the aggregate carrying amount of this CGU to materially exceed the recoverable amount of this CGU.

Baiyun Technician College

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 17.11% (2020: 17.78%). The CGU's cash flows beyond the five-year period are extrapolated using a steady 2% growth rate (2020: 2%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include growth rates of student number, tuition fee and cost of revenue, such estimation is based on the unit's past performance and the management's expectations for the market development.

If the discount rate changed to 17.96% (2020: 19.56%) while other parameters remain constant, the aggregate carrying amount of this CGU would not exceed its corresponding recoverable amount (2020: RMB26,705,000); if the discount rate changed to 21.14% (2020: 18.61%) while other parameters remain constant, the recoverable amount of this CGU would be approximately equal to its carrying amount; save for the above scenario, the management of the Group believes that any reasonably possible change in any of the aforementioned key assumptions other than discount rate would not cause the aggregate carrying amount of this CGU to materially exceed the recoverable amount of this CGU.

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17. IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

Zhengzhou Transit School

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 17.01% (2020: 16.79%). The CGU's cash flows beyond the five-year period are extrapolated using a steady 2% growth rate (2020: 2%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include growth rates of student number, tuition fee and cost of revenue, such estimation is based on the unit's past performance and the management's expectations for the market development, the growth rate and discount rate at 31 August 2021 have been reassessed taking into consideration higher degree of estimation uncertainties on how the Covid-19 pandemic may progress and evolve.

During the year, due to continuing impact from Covid-19 pandemic and extreme weather in Zhengzhou resulting in temporary shortfall of student numbers, the directors of the Company have determined impairment of goodwill directly related to this CGU amounting to RMB59,259,000. The impairment loss has been included in profit or loss in the "other expense, other gains and losses" line item. No other write-down of the other assets included in this CGU is considered necessary. The recoverable amount of this CGU amounted to RMB1,019,159,000 as at 31 August 2021.

If the discount rate changed to 17.86% (2020: 18.46%) while other parameters remain constant, a further impairment of goodwill in this CGU of RMB56,908,000 would be recognised (2020: aggregate carrying amount of this CGU would exceed their corresponding recoverable amounts of RMB99,011,000); if the number of student intake in the first year of forecast period dropped by 20% due to Covid-19 while other parameters remain constant, a further impairment of goodwill in this CGU of RMB51,674,000 would be recognised (2020: aggregate carrying amount of this CGU would exceed their corresponding recoverable amounts of RMB10,444,000).

Xi'an Railway College

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 16.40% (2020: 16.43%). The CGU's cash flows beyond the five-year period are extrapolated using a steady 2% growth rate (2020: 2%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include growth rates of student number, tuition fee and cost of revenue, such estimation is based on the unit's past performance and the management's expectations for the market development.

17. IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

Xi'an Railway College (Continued)

If the discount rate changed to 17.22% (2020: 18.08%) while other parameters remain constant, the aggregate carrying amount of this CGU would not exceed its corresponding recoverable amount (2020: Nil); if the discount rate changed to 18.88% (2020: 18.32%) while other parameters remain constant, the recoverable amount of this CGU would be approximately equal to its carrying amount; if the number of student intake in the first year of the forecast period dropped by 20% (2020: 20%) due to COVID-19 while other parameters remain constant, the aggregate carrying amount of this CGU would exceed their corresponding recoverable amounts by RMB111,114,000; save for the above scenarios, the management of the Group believes that any reasonably possible change in any of the aforementioned key assumptions other than discount rate and COVID-19 would not cause the aggregate carrying amount of this CGU to materially exceed the recoverable amount of this CGU.

KOI

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 21.45% (2020: 21.64%). The CGU's cash flows beyond the five-year period are extrapolated using a steady 2% (2020: 2%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include growth rates of student number, tuition fee and cost of revenue, such estimation is based on the unit's past performance and the management's expectations for the market development.

The recoverable amount of this unit approximates to the carrying amount. If the discount rate changed to 22.52% (2020: 23.79%) while other parameters remain constant, the aggregate carrying amount of this group of CGUs would exceed their corresponding recoverable amounts by RMB210,031,000 (2020: RMB219,288,000); if the number of student intake in the first year of forecast period dropped by 20% due to Covid-19 while other parameters remain constant, it would not result in the aggregate carrying amount of this CGU to exceed its corresponding recoverable amount; save for the above scenarios, the management of the Group believes that any reasonably possible change in any of the aforementioned key assumptions other than discount rate and Covid-19 would not cause the aggregate carrying amount of this CGU to materially exceed the recoverable amount of this CGU.

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17. IMPAIRMENT TEST ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

Haikou University of Economics

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 16.68%. The CGUs' cash flows beyond the five-year period are extrapolated using a steady 2% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include growth rates for student number, tuition fee and cost of revenue, such estimation is based on the group of units' past performance and the management's expectations for the market development.

If the discount rate changed to 17.51% while other parameters remain constant, the aggregate carrying amount of this group of CGUs would exceed their corresponding recoverable amounts by RMB186,048,000; if the discount rate changed to 16.83% while other parameters remain constant, the recoverable amount of this group of CGUs would be approximately equal to its carrying amount; save for the above scenario, the management of the Group believes that any reasonably possible change in any of the aforementioned key assumptions other than discount rate would not cause the aggregate carrying amount of this group of CGUs to materially exceed the recoverable amount of this group of CGUs.

Affiliated Art School of Haikou University of Economics

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management covering a five-year period, and discount rate of 16.68%. The CGUs' cash flows beyond the five-year period are extrapolated using a steady 2% growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include growth rates for student number, tuition fee and cost of revenue, such estimation is based on the group of units' past performance and the management's expectations for the market development.

If the discount rate changed to 17.51% while other parameters remain constant, the aggregate carrying amount of this group of CGUs would not exceed its corresponding recoverable amounts; if the discount rate changed to 20.78% while other parameters remain constant, the recoverable amount of this group of CGUs would be approximately equal to its carrying amount; save for the above scenario, the management of the Group believes that any reasonably possible change in any of the aforementioned key assumptions other than discount rate would not cause the aggregate carrying amount of this group of CGUs to materially exceed the recoverable amount of this group of CGUs.

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18. DEPOSITS PAID FOR RIGHT-OF-USE ASSETS

The amount represented the deposits paid to local government authorities for acquisition of leasehold lands located in the PRC.

19. PREPAYMENTS FOR INVESTMENTS

The prepayments for investments as at 31 August 2021 amounting to RMB414,200,000 were for the purpose of acquisition of entire interest of Long Link Investment Limited ("Long Link"), which indirectly owns 51% school sponsorship interest in Chengdu Jincheng College (成都錦城學院), at a total consideration of RMB2,445,800,000 which would be settled in cash amounting to RMB1,675,800,000 and consideration shares amounting to RMB770,000,000 (the "Consideration Shares"), with 38,309,387 Consideration Shares been allotted and issued at issue price of HK$15.88 per share up to date of these consolidated financial statements are authorised for issue. As detailed in note 43, the acquisition of Long Link has been subsequently completed in September 2021. The prepayments for investments as at 31 August 2021 amounting to RMB60,000,000 were for purpose of acquisition of a school in the PRC. Up to the date of these consolidated financial statements are authorised for issue, the acquisition of the school in the PRC has not been completed subject to fulfilment of certain completion criteria.

The prepayments for investment as at 31 August 2020 were for the purpose of acquisition of Hainan Cyber Education Group Company Limited and Hainan Hualian Investment Co., Ltd. ("Hainan Education Group") and such acquisition has been completed during the current year as detailed in note 37.

20. CONTRACT COSTS

	At 31 August	
	2021	2020
	RMB'000	*RMB'000*
Non-current assets	**94,965**	108,910
Current assets	**74,108**	79,289
	169,073	188,199

Contract costs capitalised as at 31 August 2021 and 2020 relate to the incremental commission fees paid to agents for successful referral of students entering into contracts for the tuition services. Contract costs are recognised as part of selling expenses in the consolidated statement of profit or loss and other comprehensive income in the period in which revenue from the related tuition services are recognised. The amount of capitalised costs recognised in profit or loss during the year ended 31 August 2021 was RMB79,289,000 (2020: RMB61,437,000). There was no impairment in relation to the costs capitalised during the year ended 31 August 2021 (2020: nil).

The contract costs are amortised over the duration of the tuition programmes ranging from 3 to 5 years (2020: 3 to 5 years).

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21. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 August	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables *(Note i)*	**21,715**	32,592
Less: allowance for credit losses	**(6,484)**	(15,468)
	15,231	17,124
Receivables from educational bureaus	**55,213**	42,406
Management fee income receivables	**6,660**	1,882
Staff advances	**12,864**	22,614
Other receivables, net of allowance	**39,683**	30,488
Deposits *(Note vi)*	**50,549**	53,950
Other prepayment *(Note v)*	**31,303**	31,303
Prepayments and prepayments on behalf of students	**21,359**	18,258
Loan receivables, net of allowance *(Note ii)*	**100,613**	29,196
Indemnification assets *(Note iii)*	**349,828**	262,205
Amounts due from a vendor of acquired schools *(Note iv)*	**120,078**	115,532
	803,381	624,958
Current	**751,878**	593,655
Non-current	**51,503**	31,303
	803,381	624,958

Notes to the Consolidated Financial Statements

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21. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

Notes:

i. For schools in the PRC, the students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in September except for adult education which normally commences in January, February or March. Meanwhile, for KOI, the students are required to pay tuition fees in advance for the upcoming trimesters, which normally commences in March, July and November. The outstanding receivables represent amounts related to students who have applied for the delayed payments of tuition fees and boarding fees. There is no fixed term for delayed payments. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of individual students, there is no significant concentration of credit risk. The Group does not hold any collaterals or other credit enhancements over its trade receivable balances.

ii. The loan receivables are non-trade in nature, interest bearing at 12%, unsecured, repayable within twelve months from the end of the reporting period. Except for the loan receivable of carrying amount of RMB41,832,000 which is denominated in RMB as same with functional currency of the relevant group entity, all other loan receivables are denominated in Great Britain Pound. As at 31 August 2021, the Group granted loan commitment of RMB90,996,000 of which RMB27,564,000 has not yet been drawn down (2020: RMB90,996,000 of which RMB55,800,000 has not yet been drawn down).

iii. Indemnification assets are recognised upon business combination as assets of the Group and on the same basis as the indemnified items, representing provisions for certain compliance matters as detailed in note 26(vii), which are recognised as liabilities of certain acquisition targets in current and prior years. The indemnification assets are subject to impairment assessment at the end of the reporting period based on the evaluation of collectability.

iv. The amounts represent payments made by the Group for settlement of litigation of acquired schools that are recoverable from the vendor pursuant to the acquisition agreement. The amounts are interest free, unsecured and management of the Group expects that the amounts would be settled together with deferred consideration payable to the vendor.

v. On 29 June 2018, Huajiao Education has entered into a framework agreement with Value Partners Private Equity Investment Management (Shen Zhen) Limited, a subsidiary of Value Partners Group Limited, for the establishment of a fund named 惠理華教(深圳)股權投資合夥企業(有限合夥) ("China Education Fund"). The Group has made part of the committed capital contribution amounting to RMB31,303,000 into China Education Fund in prior years. There is no significant active operation for China Education Fund up to date of issuance of these consolidated financial statements and China Education Fund is still in an initial funding period. Further details are set out in the Company's announcement dated 29 June 2018.

vi. As at 31 August 2021, included in the amounts are deposits secured for long-term borrowings under sale and leaseback arrangements that are accounted for as financing arrangements amounting to RMB20,200,000, which are repayable beyond twelve months after the end of the reporting period and are presented as non-current assets as at 31 August 2021 (31 August 2020: Nil).

21. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The following is an analysis of trade receivables and receivables from education bureaus, net of allowance for credit losses, by age, presented based on debit note.

	At 31 August 2021 RMB'000	At 31 August 2020 RMB'000
0–90 days	–	147
91–120 days	13,339	13,125
121–365 days	53,785	31,203
Over 365 days	3,320	15,055
	70,444	59,530

Allowance for credit losses

The movement in the allowance for credit losses in respect of trade receivables, other receivables and loan receivables and loan commitments during the year ended 31 August 2021 is as follows:

	Trade receivables RMB'000	Other receivables RMB'000	Loan receivables and loan commitments RMB'000	Total RMB'000
At 1 September 2019	9,181	4,237	–	13,418
Impairment loss recognised during the year *(note 7b)*	6,287	15,473	6,000	27,760
At 31 August 2020	15,468	19,710	6,000	41,178
Impairment loss recognised (reversed) during the year *(note 7b)*	5,939	(8,972)	(1,336)	(4,369)
Write off during the year	(14,923)	–	–	(14,923)
At 31 August 2021	6,484	10,738	4,664	21,886

The credit risk management policy and ECL assessment process of the Group are detailed in note 36(b).

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22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 August	
	2021 *RMB'000*	2020 *RMB'000*
Structured deposits *(Notes i and ii)*	**794,777**	453,250
Money market funds *(Note i)*	**825,352**	370,020
	1,620,129	823,270

Notes:

i. Details of the fair value measurement for the financial assets at FVTPL are set out in note 36(c).

ii. As at 31 August 2021 and 2020, the structured deposits were issued by banks and financial institutions in the PRC.

The structured deposits are with expected rates of return (not guaranteed), depending on the market price of underlying financial instruments, including listed shares, bonds, debentures and other financial assets, as follow:

	At 31 August	
	2021	2020
Structured deposits	**0.96% to 4.00%**	1.76% to 4.30%

At 31 August 2021, except for structured deposits of carrying amount of RMB382,670,000 (2020: RMB118,283,000), which are restricted to redeem from 7 to 63 days, all of the structured deposits are redeemable at any time with prior notice. At 31 August 2020, the structured deposits were redeemable at any time with prior notice.

Except for the money market funds of carrying amount of RMB825,352,000 as at 31 August 2021 (2020: RMB370,020,000) which is denominated in United States Dollars ("US$"), all of the financial assets at FVTPL are denominated in RMB which is the same as the functional currency of the relevant group entities.

23. BANK BALANCES AND CASH/RESTRICTED BANK DEPOSITS

Bank balances and cash comprise cash and short-term deposits held by the Group with an original maturity of three months or less. As at 31 August 2021, the Group's bank deposits carried weighted-average interest rates of 0.69% per annum (2020: 0.20% per annum). Included in bank balances as at 31 August 2021 is an amount of RMB11,800,000 short-term deposits with maturity more than three months (2020: RMB51,966,000).

As at 31 August 2021, restricted bank deposits represent (i) deposit amounting to RMB100,000,000 (2020: RMB100,000,000) as collateral provided to a PRC court in connection to a litigation case of 增城松田實業有限公司 (Zengcheng Songtian Enterprise Company Limited), a consolidated affiliated entity of the Group, (ii) deposit amounting to RMB1,060,000 as securities for construction contracts (2020: RMB300,000). The restricted bank deposits carried weighted-average interest rates of 1.35% per annum (2020: 1.35% per annum).

Except for bank balances of carrying amounts of RMB184,926,000 and RMB40,585,000 (2020: RMB662,600,000 and RMB147,085,000) denominated in HK$ and US$ as at 31 August 2021, respectively, all of the bank balances and cash, restricted bank deposits and short-term deposits are denominated in currencies which are the same as the functional currencies of the relevant group entities.

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24. DEFERRED INCOME

	At 31 August	
	2021	2020
	RMB'000	*RMB'000*
Government grants		
— current portion	**57,271**	56,579
— non-current portion	**16,113**	24,911
	73,384	81,490

Note: The amounts represent subsidies receipt in advance from government mainly for procurement of laboratory apparatus and equipment and conducting educational programmes.

25. TRADE PAYABLES

The credit period granted by suppliers payables on purchase of consumables and provision of services ranged from 30 days to 60 days.

The following is an aged analysis of trade payables presented based on invoice date at the end of each reporting period.

	At 31 August	
	2021	2020
	RMB'000	*RMB'000*
0–30 days	**4,792**	17,313
31–90 days	**12,319**	7,222
91–365 days	**9,779**	2,318
Over 365 days	**66**	6,521
	26,956	33,374

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26. OTHER PAYABLES, ACCRUED EXPENSES AND PROVISIONS

	At 31 August	
	2021 *RMB'000*	2020 *RMB'000*
Discretionary government subsidies receipt in advance *(note i)*	**125,832**	65,033
Receipt on behalf of ancillary services providers	**277,875**	230,989
Long term construction cost payables for school premises *(note ii)*	**418,902**	–
Construction cost payable for school premises *(note iii)*	**554,002**	326,852
Retention money payables	**43,765**	24,524
Accrued staff benefits and payroll	**97,208**	88,504
Accrual operating expenses	**18,390**	50,213
Fees payable for conversion of certain independent colleges into private universities *(note vi)*	**178,446**	–
Interest payables	**57,600**	17,733
Other payables and accruals	**160,016**	103,365
Deferred cash considerations *(note iv)*	**441,013**	548,050
Other tax payables	**20,155**	14,736
Amount due to connected parties of a non-controlling interest *(note v)*	**355,247**	–
	2,748,451	1,469,999
Current	**1,935,185**	1,446,899
Non-current	**813,266**	23,100
	2,748,451	1,469,999
Amortised cost	**2,184,624**	1,251,291
Accruals and others	**135,753**	174,172
At FVTPL	**428,074**	44,536
	2,748,451	1,469,999
Provisions *(Note vii)*	**378,282**	262,205

Notes:

i. The amounts represent scholarships received from the government to be distributed to students and teachers of the schools.

ii. Long term construction cost payables for school premises arose from arrangements between the Group and other constructors for building student dormitories and academic building, pursuant to which the constructors are entitled to future cash payments with payment terms ranging from 40 to 42 years after completion of construction, typically with guaranteed amounts and variable premium proportionate to boarding fees and tuition fees earned by respective buildings they constructed and are designated at FVTPL calculated by discounting the expected future cash flow, with change in fair value recognised in profit or loss. Included in long term construction cost payables for school premises are amounts of RMB412,884,000 which are payable beyond twelve months after the end of the reporting period and are presented as non-current liabilities as at 31 August 2021 (31 August 2020: Nil).

iii. Included in retention money payables in respect of construction of school premises is amount of RMB105,207,000 (2020: RMB3,021,000) which are payable beyond twelve months after the end of the reporting period and is included as non-current liabilities as at 31 August 2021.

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26. OTHER PAYABLES, ACCRUED EXPENSES AND PROVISIONS (Continued)

Notes: (Continued)

iv. The amounts represent consideration payables for the acquisitions of certain schools in prior and current years. Amount of approximately RMB342,860,000 (2020: RMB527,970,000) which is repayable within twelve months after the end of the reporting period in accordance with acquisition agreements were included in other payables as current liabilities. An amount of RMB98,153,000 (2020: RMB20,079,000) is included as non-current liabilities as at 31 August 2021 which are repayable beyond twelve months after the end of the reporting period. Including in the balance is an amount of RMB9,172,000 (2020: RMB44,536,000) classified as financial liabilities at FVTPL while the remaining balances are measured at amortised cost.

v. The amounts represent payables to entities controlled by a substantial shareholder of a non-controlling interest of a subsidiary of the Company, and are interest free, unsecured. Amount of approximately RMB262,818,000 (2020: Nil) which is repayable within twelve months from the end of the reporting period and RMB92,429,000 (31 August 2020: Nil) is presented as non-current liabilities as at 31 August 2021.

vi. The amount includes fees payable for conversion of Guangzhou College and Chongqing Institute, consolidated affiliated entities of the Group, from independent colleges into full private universities. Included in the amount is RMB104,593,000 which is payable beyond twelve months after the end of the reporting period and is presented as non-current liabilities as at 31 August 2021(31 August 2020: Nil).

vii. The amount of provisions assumed through acquisitions of businesses, representing (a) provisions of compliance matters, mainly on social insurance benefit, housing provident fund, lack of building ownership certificates for certain school premises and idle lands and (b) provision for legal cases, is the best estimate of the considerations required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. The aforementioned compliance matters and legal cases are indemnified by respective vendors. Indemnification assets of RMB349,828,000 (2020: RMB262,205,000) are recognised upon of acquisitions of businesses as detailed in note 21(iii).

	Compliance matters	Legal cases	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 September 2019	137,545	100,747	238,292
Additional provision during the year	–	28,428	28,428
Adjustments due to change of estimation	7,934	–	7,934
Settlements during the year	–	(12,449)	(12,449)
At 31 August 2020	**145,479**	**116,726**	**262,205**
Acquired on acquisition of businesses *(note 37)*	**127,179**	**4,173**	**131,352**
Additional provision during the year	**–**	**1,970**	**1,970**
Adjustments due to change of estimation	**7,912**	**11,839**	**19,751**
Settlements during the year	**(26,674)**	**(10,322)**	**(36,996)**
At 31 August 2021	**253,896**	**124,386**	**378,282**

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27. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	At 31 August	
	2021	2020
	RMB'000	*RMB'000*
Tuition fee	**2,053,207**	1,149,495
Boarding fees	**198,188**	84,729
Ancillary services	**14,460**	4,633
	2,265,855	1,238,857

As at 1 September 2019, contract liabilities amounted to RMB1,617,328,000.

Revenue amounting to RMB1,238,857,000 (2020: RMB1,617,328,000) recognised during the year ended 31 August 2021 relates to carried-forward contract liabilities. No revenue recognised during the year ended 31 August 2021 relates to performance obligation that were satisfied in prior periods (2020: nil).

Typical payment terms which impact on the amount of contract liabilities recognised related to tuition fee, boarding fees and services fee for ancillary services are as follows:

When the Group receives the prepayments before commencement of school terms/trimesters, tuition courses or provision of ancillary services, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the prepayments. The Group typically receives the amounts in full before relevant services commence.

The significant increase in contract liabilities in the current year was mainly due to fee collection period of certain schools of the Group returning to the regular period, compared with prior year when fee collection deadline was delayed by certain schools of the Group as school term started later due to the impact of COVID-19.

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28. BANK AND OTHER BORROWINGS

	At 31 August 2021 RMB'000	2020 RMB'000
Bank borrowings secured	**1,932,408**	364,970
Other borrowings secured	**1,529,358**	894,360
Bank borrowings unsecured	**2,553,426**	1,313,171
Other borrowings unsecured	**76,051**	106,008
Total borrowings	**6,091,243**	2,678,509

	Bank borrowings		Other borrowings		Total	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
The carrying amounts of the above borrowings are repayable*:						
Within one year	**861,272**	209,400	**611,857**	82,262	**1,473,129**	291,662
Within a period of more than one year but not exceeding two years	**619,340**	131,850	**518,173**	235,652	**1,137,513**	367,502
Within a period of more than two years but not exceeding five years	**1,588,327**	838,350	**475,379**	682,453	**2,063,706**	1,520,803
Within a period of more than five years	**1,416,895**	498,542	**–**	–	**1,416,895**	498,542
	4,485,834	1,678,142	**1,605,409**	1,000,367	**6,091,243**	2,678,509
Less: Amounts due within one year shown under current liabilities	**(861,272)**	(209,400)	**(611,857)**	(82,262)	**(1,473,129)**	(291,662)
Amounts shown under non-current liabilities	**3,624,562**	1,468,742	**993,552**	918,105	**4,618,114**	2,386,847

	At 31 August 2021 RMB'000	2020 RMB'000
Variable-rate borrowings	**3,331,855**	1,860,001
Fixed-rate borrowings	**2,759,388**	818,508
	6,091,243	2,678,509

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

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28. BANK AND OTHER BORROWINGS (Continued)

The variable-rate bank and other borrowings carried interest with reference to the Benchmark Borrowing Rate of The People's Bank, Loan Prime Rate of The People's Bank or London Inter-bank Offered Rate. The range of effective interest rates (which are also equal to contractual interest rate) on the Group's borrowings are as follows.

	At 31 August	
	2021	2020
Effective interest rate:		
Fixed-rate borrowings	**4.59% to 9.02%**	5.70% to 8.44%
Variable-rate borrowings	**2.90% to 6.18%**	3.55% to 6.18%

The other borrowings represent loans from independent financial institutions.

At 31 August 2021 and 31 August 2020, secured bank borrowings are secured by tolling rights of tuition fee, boarding fee and ancillary income of certain schools of the Group and equity interest of several subsidiaries of the Group. At 31 August 2021, secured other borrowings are secured by tolling rights of tuition fee, boarding fee and ancillary income of certain schools of the Group, deposits, plant and equipment under sale and leaseback arrangements and equity interest of a subsidiary of the Group (2020: equity interest of a subsidiary of the Group).

Except for other borrowings of carrying amount of RMB779,462,000 as at 31 August 2021 (2020: RMB894,360,000) which is denominated at US$, all of the borrowings are denominated in RMB which is the same as the functional currency of the relevant group entities.

29. LEASE LIABILITIES

	At 31 August	
	2021	2020
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	**23,670**	29,969
Within a period of more than one year but not more than two years	**25,698**	15,761
Within a period of more than two years but not more than five years	**47,896**	50,915
Within a period of more than five years	**9,174**	19,289
	106,438	115,934
Less: Amount due for settlement with 12 months shown under current liabilities	**(23,670)**	(29,969)
Amount due for settlement after 12 months shown under non-current liabilities	**82,768**	85,965

Except for lease liabilities of RMB4,126,000 (2020: RMB2,194,000) as at 31 August 2021 which is denominated in HK$, all of the lease liabilities are denominated in currencies which are the same as the functional currencies of the relevant group entities.

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30. DEFERRED TAXATION

The following are the deferred tax (asset) liability recognised and movement thereon during the current year:

	Tax losses	Fair value adjustments of intangible assets, right-of-use assets and property, plant and equipment on business combination	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 September 2019	(27,342)	565,460	538,118
Acquisition of a business	–	171,532	171,532
Charge (credit) to profit or loss *(note 9)*	9,184	(7,860)	1,324
Exchange realignment	–	10,553	10,553
At 31 August 2020	**(18,158)**	**739,685**	**721,527**
Acquisition of businesses *(note 37)*	**–**	**247,059**	**247,059**
Charge (credit) to profit or loss *(note 9)*	**5,041**	**(7,402)**	**(2,361)**
Exchange realignment	**–**	**(11,936)**	**(11,936)**
At 31 August 2021	**(13,117)**	**967,406**	**954,289**

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 August 2021, no deferred taxation regarding such withholding tax has been provided as the PRC subsidiaries with limited liability have accumulated losses and have no retained profits available for distribution (2020: nil).

31. CONVERTIBLE BONDS

	RMB'000
At 1 September 2019	2,143,783
Change in fair value charged to profit or loss	369,260
Exchange difference credited to profit or loss	(42,359)
Interest paid	(42,437)
At 31 August 2020	**2,428,247**
Change in fair value charged to profit or loss	**(145,264)**
Interest paid	**(39,412)**
At 31 August 2021	**2,243,571**

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31. CONVERTIBLE BONDS (Continued)

On 28 March 2019, the Company completed the issue of convertible bonds (the "2019 Convertible Bonds") with the aggregate principal amount of HK$2,355,000,000 (equivalent to approximately RMB2,007,190,000), at the interest rate of 2% per annum with maturity date on 28 March 2024.

The bonds entitled the holders to convert into ordinary shares of the Company on or after 8 May 2019 to the close of business on the seventh day prior to the maturity date at an initial conversion price of HK$14.69 per share (subsequently adjusted to HK$13.99 per share), but would be subject to adjustment of anti-dilution protection. If the bonds had not been converted, they would be redeemed at 100% if its principal amount on maturity date. The Company would, at the option of the bondholders, redeem all or some of the bondholder's bonds on 28 March 2022, at 100% of the principal amount of the bonds. The bond may also be redeemed all, but not some only, by the Company on giving not less than 30 nor more than 60 days' notice to the bondholders at the principal amount together with unpaid interest (i) at any time after 18 April 2022 but prior to the maturity date provided that the closing price of the shares, for 20 out of 30 consecutive trading days prior to the date upon which notice of such redemption is published was at least 130% of the conversion price then in effect; (ii) if at any time that 90% of the bonds had been converted and/or redeemed and/or cancelled; or (iii) for taxation reasons.

The Group designated the convertible bonds (including the conversion option) as financial liabilities at FVTPL which are initially recognised at fair value. Transaction costs relating to the issuance of the convertible bonds are charged to profit or loss immediately. In subsequent periods, such convertible bonds are remeasured at fair value. The change in fair value that is attributed to change in credit risk is recognised in other comprehensive income with the remaining fair value change recognised in profit or loss.

The fair values of the convertible bonds were determined by the directors of the Company with reference to a valuation carried out by independent qualified valuers based on the Binomial model as at 31 August 2021 and 2020.

The following key assumptions were applied:

	At 31 August	
	2021	2020
	RMB'000	*RMB'000*
Discount rate	**15.27%**	16.61%
Share price (per share)	**HK$14.68**	HK$15.24
Conversion price (per share)	**HK$13.99**	HK$14.33
Risk free interest rate	**0.20%**	0.20%
Time to maturity	**2.6 years**	3.6 years
Expected volatility of share price	**45.68%**	47.09%
Expected dividend yield	**2.29%**	1.47%

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32. SHARE CAPITAL

Details of movements of authorised and issued capital of the Company up to 31 August 2021 are as follow:

	Number of shares	Share capital	Shown in the consolidated financial statements RMB'000
Ordinary shares of HK$0.00001 each			
Authorised			
At 1 September 2019, 31 August 2020 and 31 August 2021	50,000,000,000	HK$500,000	
Issued and fully paid			
At 1 September 2019	2,020,202,000	HK$20,202	17
Issuance of new shares *(Note i)*	130,000,000	HK$1,300	1
Shares issued under share option scheme *(Note ii)*	20,000	HK$-*	–
At 31 August 2020	2,150,222,000	HK$21,502	18
Issuance of new shares *(Note i)*	122,000,000	HK$1,220	1
Shares issued under share option scheme *(Note ii)*	730,000	HK$7	–
At 31 August 2021	2,272,952,000	HK$22,729	19

* The amount is less than HK$1.

Notes:

(i) Issuance of new shares

On 26 January 2021, the Company entered into a placing agreement ("2021 Placing Agreement") with Blue Sky Education International Limited and White Clouds Education International Limited (the "Vendors") and UBS AG Hong Kong Branch (the "Placing Agent") and a subscription agreement ("2021 Subscription Agreement") with the Vendors, pursuant to which the Placing Agent agreed to place, on a fully underwritten basis, 122,000,000 existing shares to certain places at HK$16.60 per share (the "2021 Placing"), and the Vendors agreed to subscribe for 122,000,000 new shares of the Company at HK$16.60 per share (the "2021 Subscription"), respectively. The 2021 Placing and the 2021 Subscription were completed on 29 January 2021 and 3 February 2021 respectively, in accordance with the terms and conditions of the 2021 Placing Agreement and the 2021 Subscription Agreement. The proceeds, net of related fees and expenses, from the 2021 Subscription amounted to HK$2,012,618,000 (approximately RMB1,681,408,000). The new shares rank pari passu with the existing shares in all respects.

On 10 August 2020, the Company entered into a placing agreement ("2020 Placing Agreement") with the Vendors and the Placing Agent and a subscription agreement ("2020 Subscription Agreement") with the Vendors, pursuant to which the Placing Agent agreed to place, on a fully underwritten basis, 130,000,000 existing shares to certain places at HK$15.50 per share (the "2020 Placing"), and the Vendors agreed to subscribe for 130,000,000 new shares of the Company at HK$15.50 per share (the "2020 Subscription"), respectively. The 2020 Placing and the 2020 Subscription were completed on 13 August 2020 and 20 August 2020 respectively, in accordance with the terms and conditions of the 2020 Placing Agreement and the 2020 Subscription Agreement. The proceeds, net of related fees and expenses, from the 2020 Subscription amounted to HK$2,002,500,000 (approximately RMB1,798,300,000). The new shares rank pari passu with the existing shares in all respects.

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32. SHARE CAPITAL (Continued)

Notes: (Continued)

(i) Issuance of new shares (Continued)

The subscription price for 2021 Subscription and 2020 Subscription represents a discount of approximately 1% and 0.1% to the closing market price of the Company's ordinary shares of the immediately preceding business day to the completion of the respective subscription, respectively.

(ii) Shares issued under Pre-IPO and Post-IPO Share Option Scheme (as defined in note 34(a))

During the year ended 31 August 2021, 650,000 and 80,000 ordinary shares (2020: 20,000 ordinary shares) were issued at exercise price of HK$6.45 and HK$12.48 (2020: HK$12.48) per ordinary share respectively, to share option holders who had exercised their options with an aggregate consideration of RMB4,376,000 (2020: RMB227,000). An amount of RMB2,139,000 (2020: RMB101,000) was transferred from the share options reserve and credit to share premium upon the exercise of share options under Pre-IPO and Post-IPO Share Option Scheme. The new shares rank pari passu with the existing shares in all respects.

33. RETIREMENT BENEFIT PLANS

The Group participated in the MPF Scheme for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

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

In accordance with the relevant rules and regulations in Australia, the Group's Australian subsidiaries are required to contribute a minimum of 9.5% of the employee's ordinary time earnings for all qualifying employees in Australia to any complying superannuation funds of employees' own choice.

The Group's contribution to the retirement benefit schemes for its employees in Hong Kong, the PRC and Australia are fully and immediately vested in the employees once the contributions are made. Accordingly, there are no forfeited contributions under the retirement benefit schemes that may be used by the Group to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 of the Listing Rules.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the year are disclosed in note 10.

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34. SHARE-BASED PAYMENTS

(a) Share option schemes of the Company

The Company has adopted two share option schemes, namely Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme.

Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was adopted pursuant to a resolution passed on 27 November 2017 for the primary purpose of providing incentives to directors and eligible employees, and valid up to 27 November 2017. Under the Pre-IPO Share Option Scheme, the directors of the Company may grant options to eligible directors and employees to subscribe for shares in the Company, up to a total of 45,500,000 shares on such terms as determined by the directors of the Company. The terms of the offer may include but are not limited to, any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the board of directors such other terms either on a case by case basis or generally.

Pursuant to the Pre-IPO Share Option Scheme, on every anniversary of the Listing (from the first anniversary to the fifth anniversary), a maximum of 20% of the underlying shares in respect of the options may be vested to the grantee, subject to the satisfaction of performance condition as determined by the remuneration committee at its discretion. In determining whether the performance condition is satisfied, the remuneration committee will assess the overall financial position and operating conditions of the Group on each vesting date, with a focus on growth, reputation, closing price of the Company's shares on the Stock Exchange, return to shareholders, dividend paid and industry ranking. In particular, the remuneration committee will also benchmark the Group's key performance metrics that it considers appropriate against comparable companies in the education industry and listed on a recognised stock exchange.

An option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time during a period to be determined and notified by the directors of the Company to each grantee which period shall not expire later than 10 years from the date of Listing.

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34. SHARE-BASED PAYMENTS (Continued)

(a) Share option schemes of the Company (Continued)

Pre-IPO Share Option Scheme (Continued)

The price for the subscription of ordinary shares in relation to each option granted under the Pre-IPO Share Option Scheme shall be such price as may be determined by the directors of the Company. An option may be exercised in whole or in part by the grantee and the subscription price of the ordinary shares shall be fully paid by the grantee to the Company upon exercise of the option.

At 31 August 2021, the number of shares in respect of which options had been granted and remained outstanding under the Pre-IPO Share Option Scheme was 28,925,000 (2020: 36,400,000), representing 1.27% (2020: 1.69%) of the shares of the Company in issue at that date.

Details of specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price *HK$*	Number of options as at 31 August 2021 *RMB*	2020 *RMB*
Pre-IPO Share Option	14 December 2017	15 December 2017 – 14 December 2018	15 December 2018 – 14 December 2027	6.45	8,450,000	9,100,000
	14 December 2017	15 December 2017 – 14 December 2019	15 December 2019 – 14 December 2027	6.45	–	–
	14 December 2017	15 December 2017 – 14 December 2020	15 December 2020 – 14 December 2027	6.45	2,275,000	9,100,000
	14 December 2017	15 December 2017 – 14 December 2021	15 December 2021 – 14 December 2027	6.45	9,100,000	9,100,000
	14 December 2017	15 December 2017 – 14 December 2022	15 December 2022 – 14 December 2027	6.45	9,100,000	9,100,000
					28,925,000	36,400,000

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34. SHARE-BASED PAYMENTS (Continued)

(a) Share option schemes of the Company (Continued)

Pre-IPO Share Option Scheme (Continued)

The following table discloses movements of options under the Company's Pre-IPO Share Option Scheme held by the directors of the Company and employees during the year:

Option type	Outstanding at 1 September 2020	Granted during the year	Lapsed/ forfeited during the year	Exercised during the year	Outstanding at 31 August 2021
Directors					
Mr. Yu	8,000,000	–	(1,500,000)	–	6,500,000
Mr. Xie	8,000,000	–	(1,500,000)	–	6,500,000
Dr. Yu	8,000,000	–	(1,500,000)	–	6,500,000
Ms. Xie	8,000,000	–	(1,500,000)	–	6,500,000
Directors in aggregate	32,000,000	–	(6,000,000)	–	26,000,000
Employees in aggregate	4,400,000	–	(825,000)	(650,000)	2,925,000
Total	36,400,000	–	(6,825,000)	(650,000)	28,925,000
Weighted average exercise price	HK$6.45	–	HK$6.45	HK$6.45	HK$6.45
Exercisable at the end of the year					10,725,000

Option type	Outstanding at 1 September 2019	Granted during the year	Lapsed/ forfeited during the year	Exercised during the year	Outstanding at 31 August 2020
Directors					
Mr. Yu	10,000,000	–	(2,000,000)	–	8,000,000
Mr. Xie	10,000,000	–	(2,000,000)	–	8,000,000
Dr. Yu	10,000,000	–	(2,000,000)	–	8,000,000
Ms. Xie	10,000,000	–	(2,000,000)	–	8,000,000
Directors in aggregate	40,000,000	–	(8,000,000)	–	32,000,000
Employees in aggregate	5,500,000	–	(1,100,000)	–	4,400,000
Total	45,500,000	–	(9,100,000)	–	36,400,000
Weighted average exercise price	HK$6.45	–	HK$6.45	–	HK$6.45
Exercisable at the end of the year					9,100,000

The weighted average remaining contractual lives of the Company's Pre-IPO share options as at 31 August 2021 is 6.29 years (2020: 7.29 years).

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34. SHARE-BASED PAYMENTS (Continued)

(a) Share option schemes of the Company (Continued)

Pre-IPO Share Option Scheme (Continued)

During the year ended 31 August 2021, there are 6,000,000 and 825,000 (2020: 8,000,000 and 1,100,000) share options held by directors and employees, respectively, not vested ultimately as the performance targets have not been achieved as determined by the remuneration committee of the Company during the vesting period. The Group reversed previously recognised share options expenses of RMB39,375,000 (2020: RMB28,925,000) in respect of such share options while recognised share options expenses of RMB9,231,000 (2020: RMB28,104,000) for the remaining unvested share options based on the management's estimation of the share options that will eventually be vested. There are 650,000 (2020: nil) share options held by employees exercised during the year. Except for the above, no share option has been granted, cancelled or lapsed during the year under Pre-IPO Share Option Scheme.

Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme was adopted pursuant to a resolution passed on 29 November 2017 for the primary purpose of providing incentives to employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the directors of the Company or its delegate(s) consider, in their sole discretion, to have contributed or will contribute to the Group, and will expire no later than 10 years from the date of the Listing. Under the Post-IPO Share Option Scheme, the total number of ordinary shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 200,000,000, being no more than 10% of the ordinary shares in issue on the date of Listing. The overall limit on the number of ordinary shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company at any time must not exceed 30% of the ordinary shares in issue from time to time (the "Post-IPO Option Scheme Limit"). Post-IPO Option Scheme Limit may be refreshed at any time by obtaining prior approval of the shareholders of the Company in general meeting. However, Post-IPO Option Scheme Limit cannot exceed 10% of the ordinary shares in issue as at the date of such approval.

Unless approved by the shareholders of the Company, the total number of ordinary shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any twelve-month period shall not exceed 1% of the total number of ordinary shares in issue (the "Individual Limit"). Any further grant of options to a selected participant which would result in the aggregate number of shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, cancelled and outstanding options) in the twelve-month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of shareholders of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

34. SHARE-BASED PAYMENTS (Continued)

(a) Share option schemes of the Company (Continued)

Post-IPO Share Option Scheme (Continued)

Where any grant of options to a substantial shareholder or independent non-executive directors of the Company (or any of their respective associates) would result in the number of ordinary shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the ordinary shares in issue; and (ii) having an aggregate value, based on the closing price of the ordinary shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange), such further grant of options must also be first approved by the shareholders of the Company in a general meeting.

The Post-IPO Share Option Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, the directors of the Company may at their sole discretion specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the option can be exercised.

The period during which an option may be exercised is determined and notified by the directors of the Company to each grantee at the time of making an offer for the grant of the option and such period shall not expire later than 10 years from the date of grant of the option.

The exercise price shall be determined by the directors of the Company, but shall be not less than the greater of (i) the closing price of an ordinary share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the ordinary shares as stated in the daily quotations sheet issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share on the date of grant.

At 31 August 2021, the number of shares in respect of which options had been granted and remained outstanding under the Post-IPO Share Option Scheme was 4,070,000 (2020: 4,150,000), representing 0.18% (2020: 0.19%) of the Shares of the Company in issue at that date.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

34. SHARE-BASED PAYMENTS (Continued)

(a) Share option schemes of the Company (Continued)

Post-IPO Share Option Scheme (Continued)

Details of specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price HK$	Number of options as at 31 August 2021 RMB	2020 RMB
Post-IPO Share Option (Batch 1)	8 March 2019	8 March 2019 – 7 March 2020	8 March 2020 – 7 March 2029	12.48	355,000	395,000
	8 March 2019	8 March 2019 – 7 March 2021	8 March 2021 – 7 March 2029	12.48	552,500	592,500
	8 March 2019	8 March 2019 – 7 March 2022	8 March 2022 – 7 March 2029	12.48	790,000	790,000
	8 March 2019	8 March 2019 – 7 March 2023	8 March 2023 – 7 March 2029	12.48	987,500	987,500
	8 March 2019	8 March 2019 – 7 March 2024	8 March 2024 – 7 March 2029	12.48	1,185,000	1,185,000
					3,870,000	3,950,000
Post-IPO Share Option (Batch 2)	16 December 2019	16 December 2019 – 15 December 2020	16 December 2020 – 15 December 2029	10.76	20,000	20,000
	16 December 2019	16 December 2019 – 15 December 2021	16 December 2021 – 15 December 2029	10.76	30,000	30,000
	16 December 2019	16 December 2019 – 15 December 2022	16 December 2022 – 15 December 2029	10.76	40,000	40,000
	16 December 2019	16 December 2019 – 15 December 2023	16 December 2023 – 15 December 2029	10.76	50,000	50,000
	16 December 2019	16 December 2019 – 15 December 2024	16 December 2024 – 15 December 2029	10.76	60,000	60,000
					200,000	200,000

The vesting of share options will be conditional on completion of specified periods of services by the grantees on the respective vesting dates.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

34. SHARE-BASED PAYMENTS (Continued)

(a) Share option schemes of the Company (Continued)

Post-IPO Share Option Scheme (Continued)

The following table discloses movements of the Company's Post-IPO Share Options held by the employees during the year:

Option type	**Outstanding at 1 September 2020**	**Granted during the year**	**Lapsed/ forfeited during the year**	**Exercised during the year**	**Outstanding at 31 August 2021**
Batch 1	**3,950,000**	**–**	**–**	**(80,000)**	**3,870,000**
Batch 2	**200,000**	**–**	**–**	**–**	**200,000**
Employees in aggregate	**4,150,000**	**–**	**–**	**(80,000)**	**4,070,000**
Weighted average exercise price	**HK$12.40**	**–**	**–**	**HK$12.48**	**HK$12.40**
Exercisable at the end of the year					**927,500**

Option type	Outstanding at 1 September 2019	Granted during the year	Lapsed/ forfeited during the year	Exercised during the year	Outstanding at 31 August 2020
Batch 1	4,350,000	–	(380,000)	(20,000)	3,950,000
Batch 2	–	400,000	(200,000)	–	200,000
Employees in aggregate	4,350,000	400,000	(580,000)	(20,000)	4,150,000
Weighted average exercise price	HK$12.48	HK$10.76	HK$11.89	HK$12.48	HK$12.40
Exercisable at the end of the year					395,000

These fair values at grant date were calculated using the Binomial model. The inputs into the model were as follows:

	Granted on 16 December 2019
Weighted average share price	HK$10.76
Exercise price	HK$10.76
Expected volatility	48.61%
Expected life	10 years
Risk-free rate	1.64%
Expected dividend yield	1.16%

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

34. SHARE-BASED PAYMENTS (Continued)

(a) Share option schemes of the Company (Continued)

Post-IPO Share Option Scheme (Continued)

Expected volatility was determined by using quoted prices of comparable companies in active markets. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the best estimate of the directors of the Company.

During the year ended 31 August 2021, there are 80,000 share options being exercised. During the year ended 31 August 2020, there are 200,000 share options held by employees being lapsed, 380,000 unvested share options held by an employee being forfeited, and 20,000 share options are exercised.

The weighted average remaining contractual lives of the Company's Post-IPO share options as at 31 August 2021 is 7.56 years (2020: 8.56 years).

The Group recognised share options expenses of RMB5,072,000 (2020: RMB7,429,000) for the remaining share options not yet vested during the year ended 31 August 2021.

During the year ended 31 August 2020, the Group recognised a reversal of previously recognised share options expenses of RMB288,000 in respect of forfeited unvested share options. No such reversal has been noted during the year ended 31 August 2021.

(b) Share award scheme of the Company

The Company's share award scheme (the "Share Award Scheme") was adopted pursuant to a resolution passed on 29 November 2017. The objective of the Share Award Scheme is for the primary purpose of providing incentives to employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the directors of the Company or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group, and will expire no later than 10 years from the date of the Listing.

A share award includes all cash income from dividends in respect of those ordinary shares from the date the share award is granted to the date the share award is vested. The directors of the Company at their discretion may from time to time determine that any dividends declared and paid by the Company in relation to the ordinary shares be paid to the selected participant even though the ordinary shares have not yet been vested.

34. SHARE-BASED PAYMENTS (Continued)

(b) Share award scheme of the Company (Continued)

Save that the directors of the Company at their discretion may from time to time determine that any dividends declared and paid by the Company in relation to the ordinary shares be paid to the selected participants even though the shares have not yet been vested, the selected participant only has a contingent interest in the shares underlying an award unless and until such shares are actually transferred to the selected participant.

The maximum aggregate number of ordinary shares underlying all grants made pursuant to the Share Award Scheme (excluding ordinary shares which have been forfeited in accordance with the Share Award Scheme) is conditionally set at 40,000,000, being 2% of issued shares of the Company as of the date of the Listing (i.e. 2% of 2,000,000,000 Shares) (the "Share Award Scheme Limit").

The directors of the Company may from time to time determine such vesting criteria and conditions or periods for the awards to be vested under the Share Award Scheme.

Save as otherwise restricted by the Share Award Scheme Limit or the Listing Rules, there shall be no limit on the total number of non-vested ordinary shares that may be granted to a selected participant under the Share Award Scheme.

Each grant of an award to any director of the Company or the chief executive officer shall be subject to the prior approval of the independent non-executive directors (excluding any independent non-executive directors who is a proposed recipient of the grant of share award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of awards to connected persons of the Company.

No share award has been granted since the adoption of the Share Award Scheme.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continues as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes cash and cash equivalent, structured deposits and money market funds, net of bank and other borrowings disclosed in note 28, convertible bonds disclosed in note 31 and lease liabilities disclosed in note 29, and equity attributable to the owners of the Group, comprising share capital, reserves and retained profits.

The management of the Group reviews 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 recommendations of the management of the Group, the Group will balance its overall capital structure through the payment of dividend, new share issues, the issue of new debts as well as the repayment of the existing debts.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 August	
	2021 *RMB'000*	2020 *RMB'000*
Financial assets		
Mandatorily measured at FVTPL	1,620,129	823,270
Amortised cost	3,829,144	3,874,820
	5,449,273	4,698,090
Financial liabilities		
Amortised cost	8,302,823	3,963,174
At FVTPL	2,671,645	2,472,783
	10,974,468	6,435,957

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, restricted bank deposits, bank balances, financial assets at FVTPL, trade payables, other payables, bank and other borrowings, convertible bonds and lease liabilities. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Market risk

Currency risk

The Group has certain foreign currency bank balances, money market funds, other payables, convertible bonds and other borrowings denominated in HK$ and US$, currencies other than the functional currencies of the group entities ("foreign currencies"), which expose the Group to foreign currency risk. In addition, the Group has intra-group balances with several subsidiaries denominated in foreign currency which also expose the Group to foreign currency risk.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

36. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

The carrying amounts of the Group's monetary assets and monetary liabilities and intra-group balances at the reporting date that are denominated in foreign currencies are as follows:

	Assets At 31 August		Liabilities At 31 August	
	2021 *RMB'000*	2020 *RMB'000*	**2021** *RMB'000*	2020 *RMB'000*
HK$	**184,926**	662,600	**2,247,697**	2,428,247
US$	**865,937**	551,727	**779,462**	894,360
Intra-group balances				
GBP	**58,781**	35,694	**–**	–
USD	**–**	–	**–**	35,693

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Sensitivity analysis

The Group is mainly exposed to the fluctuation of relevant foreign currency against RMB.

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in the relevant foreign currency against the functional currency of the relevant group entities. 5% (2020: 5%) represents the reasonably possible change in foreign exchange rates if currency risk is to be assessed by key management. The sensitivity analysis includes only outstanding relevant foreign currency denominated monetary items, The sensitivity analysis adjusts their translation at the year end for a 5% (2020: 5%) change in foreign currency rates. A (negative) positive number below indicates (a decrease) an increase in post-tax profit where the relevant foreign currency strengthens 5% (2020: 5%) against RMB. For a 5% (2020: 5%) weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the profit.

	At 31 August	
	2021 *RMB'000*	2020 *RMB'000*
HK$ impact	**(77,354)**	(66,212)
US$ impact	**3,243**	(14,187)
GBP$ impact	**2,204**	1,339

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

36. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed-rate deposits, bank and other borrowings, convertible bonds and lease liabilities. The Group is exposed to cash flow interest rate risk through the impact of rate changes on variable interest bearing financial assets and liabilities, mainly bank balances, short-term deposits and bank and other borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank and other borrowings and bank balances at the end of the reporting period and assumed that the amount outstanding at the end of the reporting period was outstanding for the whole year. A 10 basis point increase or decrease for bank balances, while 50 basis point increase or decrease for variable-rate bank and other borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 or 50 basis points higher/lower for bank balances and bank and other borrowings, respectively, and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by approximately RMB9,953,000 (2020: decrease/increase by RMB4,201,000). This is mainly attributable to the Group's exposure to interest rates on its bank balances, short-term deposits and bank and other borrowings with variable rate.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

Other price risk

The Group's exposure of price risk on structured deposits and money market funds was limited because maturity periods of these investments are short and corresponding fluctuations are minimal.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

36. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

As at 31 August 2021 and 2020, the Group's maximum exposure to credit risk in the event of the counterparties' failure to perform its obligations is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. In addition, the Group is also exposed to credit risk arising from loan commitment. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and loan commitment.

In order to minimise the credit risk on trade receivables, deposits and other receivables, loan receivables and commitment, management makes periodic collective assessments as well as individual assessment on the recoverability of receivables based on historical settlement records and past experience. In addition, the Group performs impairment assessment under ECL model on the trade receivables from students based on provision matrix, while assesses the ECL of receivables from educational bureaus individually. In this regard, the directors of the Company believe there is no material credit risk inherent in the Group's outstanding balances of trade receivables and deposits and other receivables.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of students.

Impairment assessment on trade receivables and receivables from educational bureaus

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for not credit-impaired trade receivables. Trade receivables from students are considered to be credit-impaired when the students drop out from the tuition programmes and are assessed individually for lifetime ECL provision.

Management assessed the expected loss on trade receivables from students grouped based on the ageing of the trade receivables, taking into account the historical default experience and forward-looking information, as appropriate.

The Group assessed the loss allowances for receivables from educational bureaus with gross carrying amount of RMB55,213,000 (2020: RMB42,406,000) on lifetime ECL basis individually. In determining the ECL for receivables from educational bureaus, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate, for example, the Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in the Group's outstanding receivables from educational bureaus are insignificant.

In addition, the directors of the Company are of the opinion that there has no default occurred for (i) trade receivables aged over 90 days for students that are not dropped out from schools as the tuition fees and boarding fees will be fully received upon the graduation of the students by reference to past experience, and (ii) receivables from educational bureaus overdue over 90 days are not default as payment from educational bureaus may take long administrative process based on historical experience.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

36. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Provision matrix — trade receivables (from students)' ageing

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for students in relation to its private higher vocational education and secondary vocational education because these customers consist of a large number of students with common risk characteristics that are representative of the students' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix within lifetime ECL (not credit-impaired) as below.

At 31 August 2021

	Estimated average loss rate *%*	Gross carrying amount *RMB'000*	Impairment loss allowance *RMB'000*
0–90 days past due	–	–	–
91–120 days past due	5.2	2,860	150
121–365 days past due	18.6	11,863	2,211
More than 365 days past due	58.9	6,992	4,123
		21,715	6,484

At 31 August 2020

	Estimated average loss rate *%*	Gross carrying amount *RMB'000*	Impairment loss allowance *RMB'000*
0–90 days past due	–	56	–
91–120 days past due	7.4	3,161	233
121–365 days past due	14.7	10,389	1,530
More than 365 days past due	72.2	18,986	13,705
		32,592	15,468

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

36. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Provision matrix — trade receivables (from students)' ageing (Continued)

The estimated average loss rates are based on historical observed default rates over the expected life of the trade receivables and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by the management to ensure relevant information about trade receivables is updated.

Impairment assessment on deposits and other receivables/restricted bank deposits/bank balances/loan receivables and loan commitment

The Group assessed the loss allowances for deposits and other receivables, restricted bank deposits, bank balances, loan receivables and undrawn amount of loan commitment with gross carrying amount of RMB240,572,000, RMB101,062,000, RMB3,327,191,000, RMB105,277,000 and RMB27,564,000 (2020: RMB244,176,000, RMB100,300,000, RMB3,443,070,000, RMB35,196,000 and RMB55,800,000, respectively on 12m ECL basis. The management of the Group considers the restricted bank deposits and most of the bank balances that are deposited with the financial institutions with high credit rating to be low credit risk financial assets. The management of the Group considers these restricted bank deposits, short-term deposits and bank balances are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers, and accordingly, loss allowance was considered as insignificant.

In determining the ECL for deposits and other receivables and those bank balances deposited at financial institutions other than graded in the top credit rating agencies, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate. There had been no significant increase in credit risk since initial recognition and the Group provided impairment based on 12m ECL.

In determining the ECL for loan receivables and loan commitment, the management of the Group has taken into account the default rates benchmarking equivalent instruments from independent data sources and forward-looking information, as appropriate. There had been no significant increase in credit risk since initial recognition. The Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in the Group's outstanding bank deposits is insignificant.

At 31 August 2021, the Group provided impairment allowance of RMB6,484,000 (2020: RMB15,468,000) on not credit-impaired trade receivables based on the provision matrix, RMB10,738,000 (2020: RMB19,710,000) on other receivables on 12m ECL individually, and RMB4,664,000 (2020: RMB6,000,000) on loan receivables and loan commitment on 12m ECL individually.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

36. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Impairment assessment on deposits and other receivables/restricted bank deposits/bank balances/loan receivables and loan commitment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables (from students) under the simplified approach.

	Lifetime ECL (not credit-impaired) *RMB'000*
As at 1 September 2019	9,181
Changes due to financial instruments recognised as at 1 September:	
— Impairment losses recognised	4,524
New financial assets originated	1,763
At 31 August 2020	**15,468**
Changes due to financial instruments recognised as at 1 September:	
— Written-off during the year	**(14,923)**
— Impairment losses recognised	**3,578**
New financial assets originated	**2,361**
At 31 August 2021	**6,484**

As at 31 August 2021 and 2020, the increase in lifetime ECL (not-credit impaired) is mainly due to further provision on trade receivables (from students) aged longer than one year.

The Group writes off a trade receivable when there is information indicating that the student is in severe financial difficulty and there is no realistic prospect of recovery. None of trade receivables that have been written off in prior years is subject to enforcement activities.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group relies on internal generated funds, bank and other borrowings and convertible bonds as a significant source of liquidity.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

36. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities								
Trade payables	–	26,956	–	–	–	–	26,956	26,956
Other payables	–	1,127,591	309,110	20,000	309,447	10,000	1,776,148	1,752,783
Long term construction cost payables for school premises	–	4,735	5,943	26,745	203,140	1,709,825	1,950,388	418,902
Deferred cash considerations	2.84	275,163	1,043	75,390	98,976	–	450,572	441,013
Bank borrowings								
— fixed-rate	5.57	98,999	82,349	468,702	1,013,882	603,640	2,267,572	1,933,441
— variable-rate	5.13	–	150,067	154,878	1,670,915	1,113,078	3,088,938	2,552,393
Other borrowings								
— fixed-rate	8.32	105,522	101,202	204,233	478,035	–	888,992	825,947
— variable-rate	2.90	–	–	232,129	598,498	–	830,627	779,462
Convertible bonds	2.00	22,436	–	22,810	2,314,742	–	2,359,988	2,243,571
Lease liabilities	5.45-6.00	2,080	4,160	18,720	88,983	13,015	126,958	106,438
At 31 August 2021		1,663,482	653,874	1,223,607	6,776,618	3,449,558	13,767,139	11,080,906
Loan commitment	12.00	27,564	–	–	–	–	27,564	–

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	1–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities								
Trade payables	–	33,374	–	–	–	–	33,374	33,374
Other payables	–	747,777	–	–	–	–	747,777	747,777
Deferred cash considerations	–	495,459	740	42,308	24,423	–	562,930	548,050
Bank borrowings								
— fixed-rate	5.99	3,438	6,995	197,281	630,602	–	838,316	712,500
— variable-rate	5.65	4,435	34,683	36,525	523,713	585,441	1,184,797	965,641
Other borrowings								
— fixed-rate	7.65	–	8,559	6,266	111,016	–	125,841	106,008
— variable-rate	4.77	–	–	82,167	890,642	–	972,809	894,360
Convertible bonds	2.00	24,282	–	24,687	2,554,246	–	2,603,215	2,428,247
Lease liabilities	5.45-6.00	2,634	5,267	23,702	81,644	27,362	140,609	115,934
At 31 August 2020		1,311,399	56,244	412,936	4,816,286	612,803	7,209,668	6,551,891
Loan commitment	12.00	55,800	–	–	–	–	55,800	–

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36. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and liability are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

	Fair value	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets					
Financial assets at FVTPL (Money market funds)	At 31 August 2021 RMB825,352,000 (2020: RMB370,020,000)	Level 1	Quoted price from financial institutions	N/A	N/A
Financial assets at FVTPL (Structured deposits)	At 31 August 2021: RMB794,777,000 (2020: RMB453,250,000)	Level 3	Discounted cash flow — Future cash flows are estimated based on estimated return, and discounted at a rate that reflects the credit risk of various counterparties.	Estimated return and discount rate	The higher the estimated return, the higher the fair value, vice versa *(Note i)* The higher the discount rate, the lower the fair value, vice versa *(Note ii)*
Financial liabilities					
Financial liabilities designated as at FVTPL (Convertible bonds)	At 31 August 2021: RMB2,243,571,000 (2020: RMB2,428,247,000)	Level 3	Binomial model, the key inputs are: — underlying share price, conversion price, risk free interest rate, time to maturity, expected volatility of share price, discount rate, and expected dividend yield.	Expected volatility of share price and discount rate taking into account the historical share price of the Company for the period of time close to the expected time to exercise	The higher the volatility, the higher the fair value, vice versa *(Note iii)* The higher the discount rate, the lower the fair value, vice versa *(Note iv)*
Financial liabilities at FVTPL (Deferred cash consideration for business acquisitions)	At 31 August 2021 RMB9,172,000 (2020: RMB44,536,000)	Level 3	Discounted cash flow — Future cash flows are estimated based on estimated cash outflow and discounted at a rate that reflects the risk of the acquired businesses.	Expected cash outflow and discount rate	The higher the cash outflow, the higher the fair value, vice versa The higher the discount rate, the lower the fair value, vice versa *(Note v)*
Long term construction cost payables for school premises	At 31 August 2021: RMB418,902,000 (2020: Nil)	Level 3	Discounted cash flow — Future cash flows are estimated based on estimated cash outflow and discounted at a rate that reflects the risk of counterparty.	Expected cash outflow and discount rate	The higher the expected cash outflow, the higher the fair value, vice versa *(Note vi)* The higher the discount rate, the lower the fair value, vice versa *(Note vii)*

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

36. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (Continued)

Notes:

i. As at 31 August 2021, if the estimated return was 5% higher/lower and the other variables were held constant, the total carrying amount of structured deposits would increase/decrease by RMB790,000/RMB790,000 (2020: RMB602,000/RMB602,000), respectively.

ii. As at 31 August 2021, if the discount rate was 5% higher/lower and the other variables were held constant, the total carrying amount of structured deposits would decrease/increase by RMB208,000/RMB208,000 (2020: RMB119,000/RMB120,000), respectively.

iii. As at 31 August 2021, if the expected volatility of share price was 5% higher/lower and the other variables were held constant, the total carrying amount of convertible bonds payable would increase/decrease by RMB36,327,000/RMB39,697,000 (2020: RMB18,268,000/RMB11,857,000), respectively.

iv. As at 31 August 2021, if the discount rate was 5% higher/lower and the other variables were held constant, the total carrying amount of convertible bonds payable would decrease/increase by RMB40,591,000/RMB50,926,000 (2020: RMB12,666,000/RMB15,631,000), respectively.

v. As at 31 August 2021, if the discount rate was 5% higher/lower and the other variables were held constant, the total carrying amount of deferred cash consideration for business acquisition would decrease/increase by RMB78,000/RMB79,000 (2020: RMB357,000/RMB363,000), respectively.

vi. As at 31 August 2021, if the expected variable cash outflow was 5% higher/lower and the other variables were held constant, the total carrying amount of long term construction cost payables for school premises would increase/decrease by RMB4,498,000/RMB4,498,000 (31 August 2020: Nil/Nil), respectively.

vii. As at 31 August 2021, if the discount rate was 5% higher/lower and the other variables were held constant, the total carrying amount of long term construction cost payables for school premises would decrease/increase by RMB19,506,000/RMB21,198,000 (31 August 2020: Nil/Nil), respectively.

There were no transfers into or out of Level 3 during both years.

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36. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

Reconciliation of Level 3 Measurements

The following table presents the reconciliation of Level 3 measurements of the financial assets (liabilities) during the year:

	Structured deposits *RMB'000*	Convertible bonds *RMB'000*	Deferred cash consideration *RMB'000*	Long-term construction cost payables *RMB'000*	Total *RMB'000*
At 1 September 2019	373,729	(2,143,783)	(126,229)	–	(1,896,283)
Settlement of contingent consideration	–	–	120,000	–	120,000
Acquisition of a business	–	–	(21,940)	–	(21,940)
Fair value change	–	(369,260)	–	–	(369,260)
Exchange difference credited to profit or loss	–	42,359	–	–	42,359
Interest paid	–	42,437	–	–	42,437
Finance costs	–	–	(14,941)	–	(14,941)
Purchase of structured deposits	3,569,900	–	–	–	3,569,900
Redemption of structured deposits	(3,511,164)	–	–	–	(3,511,164)
Net gain on structured deposits	20,785	–	–	–	20,785
Exchange realignment	–	–	(1,426)	–	(1,426)
At 31 August 2020	**453,250**	**(2,428,247)**	**(44,536)**	**–**	**(2,019,533)**
Settlement of contingent consideration	**–**	**–**	**31,462**	**–**	**31,462**
Acquisitions of businesses	**–**	**–**	**–**	**(412,809)**	**(412,809)**
Settlement of long-term construction cost payables for school premises	**–**	**–**	**–**	**28,445**	**28,445**
Fair value change					
— Others	**–**	**(4,025)**	**9,766**	**(34,538)**	**(28,797)**
— Exchange realignment	**–**	**149,289**	**–**	**–**	**149,289**
Interest paid	**–**	**39,412**	**–**	**–**	**39,412**
Finance costs	**–**	**–**	**(6,889)**	**–**	**(6,889)**
Purchase of structured deposits	**3,602,090**	**–**	**–**	**–**	**3,602,090**
Redemption of structured deposits	**(3,279,722)**	**–**	**–**	**–**	**(3,279,722)**
Net gain on structured deposits	**19,159**	**–**	**–**	**–**	**19,159**
Exchange realignment	**–**	**–**	**1,025**	**–**	**1,025**
At 31 August 2021	**794,777**	**(2,243,571)**	**(9,172)**	**(418,902)**	**(1,876,868)**

36. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

Reconciliation of Level 3 Measurements (Continued)

Of the total gain or losses for the year included in profit or loss, gain of RMB6,593,000, gain of RMB145,264,000, gain of RMB9,766,000 and loss of RMB34,538,000 (2020: gain of RMB8,744,000 and loss of RMB369,260,000, nil and nil) relates to structured deposits, convertible bonds, deferred cash consideration and long-term construction cost payables held at the end of the reporting periods, respectively. Fair value changes on structured deposits, deferred cash consideration and long-term construction cost payables are presented in "other expense, other gains and losses" line item while fair value change on convertible bonds is presented separately in the consolidated statement of profit or loss and other comprehensive income.

The board of directors of the Company has set up a valuation committee, which is headed up by the chief financial officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The finance team of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports the valuation committee's findings to the board of directors of the Company when needed to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.

Fair value of financial instruments that are recorded at amortised cost

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the end of the reporting period.

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37. ACQUISITIONS OF BUSINESSES

Acquisition of Hainan Education Group

On 7 August 2020, the Company, China Education Group Holdings (BVI) Limited, a direct wholly owned subsidiary of the Company and Shuzhi Education Consulting (Ganzhou) Co., Ltd, an indirect wholly owned consolidated affiliated entity of the Company (together referred to as the "Purchasers"), entered into Hainan Acquisition Agreements with certain independent third parties (the "Hainan Vendors"), pursuant to which the Hainan Vendors agreed to transfer an aggregate 60% equity interest in Hainan Cyber Education, to the Purchasers at a consideration of RMB1,356,000,000 (the "Hainan Acquisition"). Upon the completion of Hainan Acquisition on 16 September 2020, the Group acquired 45% equity interest in Hainan Cyber Education and the entire equity interest of Hainan Hualian Investment Co., Ltd., a limited liability company established in the PRC, which held 15% equity interests in Hainan Cyber Education, Hainan Education Group became non-wholly owned consolidated affiliated entities of the Company. Furthermore, as part of the Hainan Acquisition, the Group entered into a management agreement ("Hainan Management Agreement") with one of the Hainan Vendors which provided for the Group's entitlement to 100% of the operating results of Hainan Education Group till the end of February 2023.

Details of the acquisition were set out in the announcements of the Company dated 10 August 2020, 13 August 2020 and 17 September 2020, respectively.

Consideration transferred

	RMB'000
Cash paid to Hainan Vendors	1,196,000
Deferred cash consideration to Hainan Vendors	157,739
	1,353,739

Assets acquired and liabilities recognised at the date of acquisition were as follow:

	RMB'000
Property, plant and equipment	2,437,168
Interest in an associate	629
Intangible assets	976,227
Deposit paid for acquisition of property, plant and equipment	2,981
Deposits paid	14,600
Inventories	489
Trade receivables, deposits, prepayments and other receivables	37,154
Pledged bank deposits	30,000
Bank balances and cash	455,895
Deferred income	(1,388)
Other payables and accrued expenses	(1,062,236)
Provisions	(131,352)
Income tax payable	(38,143)
Contract liabilities	(472,358)
Bank and other borrowings	(1,500,349)
Deferred tax liabilities	(247,058)
	502,259

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

37. ACQUISITIONS OF BUSINESSES (Continued)

Acquisition of Hainan Education Group (Continued)

The fair values of intangible assets (representing brand name and student rosters amounting to RMB955,379,000 and RMB20,848,000, respectively) was based on estimation used by the management of the Group with reference to valuation carried out by independent valuers, key assumptions and estimations used by the management included discount rates, growth rates and useful lives of the intangible assets. The fair value of trade receivables, deposits and other receivables at the date of acquisition amounted to RMB17,122,000, while the gross contractual amounts of these trade receivables, deposits and other receivables amounted to RMB18,470,000.

Non-controlling interest

The non-controlling interest (40%) in Hainan Education Group recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to RMB733,187,000. This fair value was estimated by applying an income approach taking into account the Hainan Management Agreement. The key model inputs and assumptions used in determining the fair value include discount rate, estimation of cash inflows/outflows which include growth rates for student number, tuition fee and cost of revenue.

Goodwill arising on acquisition

	RMB'000
Consideration transferred	1,353,739
Plus: non-controlling interest	733,187
	2,086,926
Less: fair value of identifiable net assets acquired (100%)	(502,259)
Less: Indemnification assets acquired	(91,758)
Goodwill arising on acquisition	1,492,909

Goodwill arose in the acquisition of Hainan Education Group because the consideration paid for the acquisition effectively included amounts in relation to better geographic arrangement and networking effect as benefits of expected synergies, better revenue growth prospect, future market development, and the assembled workforce of Hainan Education Group. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contract. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

37. ACQUISITIONS OF BUSINESSES (Continued)

Acquisition of Hainan Education Group (Continued)

Net cash outflow arising on acquisition

	RMB'000
Consideration paid in cash	1,196,000
Less: cash and cash equivalent balances acquired	(455,895)
Less: prepayment for acquisition of investments in prior year	(262,800)
	477,305

No pro forma information for the acquisition of Hainan Education Group are prepared as Hainan Education Group would have no significant contribution to the Group's revenue or financial performance for the period from 1 September 2020 to 15 September 2020 and the pro forma revenue and results of operations of the Group for the acquisition of Hainan Education Group approximate the Group's revenue and results during the year ended 31 August 2021.

38. CAPITAL COMMITMENTS

	At 31 August	
	2021	2020
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of		
— property, plant and equipment	**1,058,056**	2,953,481
— right-of-use assets	**117,500**	22,150
— acquisition of additional interest in an associate	**5,760**	–
	1,181,316	2,975,631

On 29 June 2018, Huajiao Education has entered into a framework agreement with Value Partners Private Equity Investment Management (Shen Zhen) Limited, a subsidiary of Value Partners Group Limited, for the establishment of a fund named 惠理華教(深圳)股權投資合夥企業(有限合夥) (the "China Education Fund"). The Group will make an initial contribution of RMB250,000,000 to the China Education Fund. As at 31 August 2021, the Group made capital contribution amounting to RMB31,303,000 to China Education Fund as committed as detailed in note 21(v).

As at 31 August 2021, the Group committed an undrawn loan commitment of RMB35,461,000 (2020: RMB55,800,000).

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39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Deferred cash considerations RMB'000	Dividends payable RMB'000	Bank borrowings RMB'000	Other borrowings RMB'000	Interest payable RMB'000	Convertible bonds RMB'000	Lease liabilities RMB'000	Long-term construction cost payables for school premises RMB'000	Amount due to connected entities of a non-controlling interest RMB'000	Total RMB'000
At 1 September 2019	787,204	–	1,195,372	927,455	19,473	2,143,783	41,551	–	–	5,114,838
Financing cash flows *(Note i)*	(190,400)	(410,738)	482,769	105,796	(92,231)	(42,437)	(21,102)	–	–	(168,343)
Acquisition of a business	39,637	–	–	–	–	–	59,706	–	–	99,343
Consideration payable on further acquisition of interest in a subsidiary	238,000	–	–	–	–	–	–	–	–	238,000
New leases entered	–	–	–	–	–	–	11,367	–	–	11,367
Lease modification	–	–	–	–	–	–	15,984	–	–	15,984
Capitalisation of finance cost	–	–	–	–	20,703	–	–	–	–	20,703
Dividend recognised as distribution	–	410,738	–	–	–	–	–	–	–	410,738
Exchange difference credited to profit or loss	–	–	–	(32,883)	–	(42,359)	–	–	–	(75,242)
Exchange realignment	2,574	–	–	–	–	–	3,916	–	–	6,490
Settlement of deferred consideration	(347,274)	–	–	–	–	–	–	–	–	(347,274)
Fair value loss	–	–	–	–	–	369,260	–	–	–	369,260
Finance cost recognised	18,309	–	–	–	69,788	–	4,512	–	–	92,609
At 31 August 2020	548,050	–	1,678,141	1,000,368	17,733	2,428,247	115,934	–	–	5,788,473
Financing cash flows *(Note i)*	(228,000)	(636,659)	1,877,903	78,320	(256,632)	(39,412)	(37,761)	(28,445)	(54,889)	674,425
Acquisitions of businesses	157,739	–	929,790	570,559	47,709	–	–	412,809	396,743	2,515,349
Consideration payable on further acquisition of interest in a subsidiary	302,928	–	–	–	–	–	–	–	–	302,928
New leases entered	–	–	–	–	–	–	27,743	–	–	27,743
Capitalisation of finance cost	–	–	–	–	120,850	–	–	–	–	120,850
Dividend recognised as distribution	–	636,659	–	–	–	–	–	–	–	636,659
Exchange difference credited to profit or loss	–	–	–	(43,838)	–	–	(4,170)	–	–	(48,008)
Exchange realignment	(3,179)	–	–	–	–	–	–	–	–	(3,179)
Settlement of deferred consideration	(348,228)	–	–	–	–	–	–	–	–	(348,228)
Fair value loss	–	–	–	–	–	(145,264)	–	34,538	–	(110,726)
Finance cost recognised	11,703	–	–	–	127,940	–	4,692	–	13,393	157,728
At 31 August 2021	441,013	–	4,485,834	1,605,409	57,600	2,243,571	106,438	418,902	355,247	9,714,014

Note:

i The cash flows for bank and other borrowings represent the addition and repayment of borrowings in the consolidated statement of cash flows.

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For the year ended 31 August 2021

40. RELATED PARTIES DISCLOSURES

Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the year are as follows:

	Year ended 31 August	
	2021 *RMB'000*	2020 *RMB'000*
Short-term benefits	**14,937**	14,665
Post-employment benefits	**466**	317
(Net reversal of) expense of share-based payments *(Note)*	**(29,534)**	(821)
	(14,131)	14,161

The remuneration of directors and key executives is determined having regard to the performance of individuals and market trends.

Note: The amount for the year ended 31 August 2021 includes reversal of RMB39,375,000 (2020: RMB28,925,000) previously recognised share option expenses due to revision of estimate on the number of share options to be vested as detailed in note 34(a).

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries:

Name of subsidiary	Date and place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group As at 31 August 2021	2020	Principal activities
Directly owned					
China Education Group Holdings (BVI) Limited	17 May 2017 The British Virgin Islands ("BVI")	US$100	**100%**	100%	Investment holding
Indirectly owned					
China Education Group (Hong Kong) Limited	25 May 2017 Hong Kong	HK$100	**100%**	100%	Investment holding
Huajiao Education *(Note i)*	13 June 2017 The PRC	HK$2,700,000,000	**100%**	100%	Provision of educational consultancy services

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41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Date and place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group As at 31 August 2021	2020	Principal activities
Indirectly owned (Continued)					
Incentive Elite (Hong Kong) Limited	17 December 2018 Hong Kong	HK$100	100%	100%	Investment holding
KOI	7 August 2008 Australia	AUD7,000	100%	100%	Provision of global education services
Aspen Higher Education Pty Ltd	5 May 2015 Australia	AUD1,000	100%	100%	Investment holding
Admiral One International Limited *(Note vii)*	18 May 2021 BVI	US$1	100%	–	Investment holding
London Education Group Limited	19 February 2020 BVI	US$1	100%	100%	Investment holding
China Education Group (UK) Limited	19 February 2020 United Kingdom	HK$100	100%	100%	Investment holding
Saipolo HK Limited	20 August 2020 Hong Kong	HK$10,000	100% *(Note vi)*	–	Investment holding
Saipolo Limited	9 July 2020 BVI	USD50,000	100% *(Note vi)*	–	Investment holding
Indirectly owned and controlled through contractual arrangement *(Note iv)*					
Jiangxi University of Technology *(Note iii)*	26 July 1999 The PRC	RMB51,680,000	100%	100%	Operation of private higher vocational education institution
Guangdong Baiyun University *(Note iii)*	12 March 1999 The PRC	RMB130,000,000	100%	100%	Operation of private higher vocational education institution
Baiyun Technician College *(Note iii)*	9 April 1996 The PRC	RMB60,000,000	100%	100%	Operation of private secondary vocational education institution

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41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Date and place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group As at 31 August 2021	2020	Principal activities
Indirectly owned and controlled through contractual arrangement *(Note iv)* (Continued)					
Huafang Education Investment Group (Ganzhou) Company Limited 華方教育投資集團(贛州)有限公司 ("Huafang Education") *(Note ii)*	2 August 2017 The PRC	RMB60,000,000	100%	100%	Provision of education consulting services
Lihe Education *(Note ii)*	26 July 2017 The PRC	RMB60,000,000	100%	100%	Provision of education consulting services
Lishang Education Consulting (Ganzhou) Company Limited *(Note ii)*	22 December 2017 The PRC	RMB4,800,000	100%	100%	Provision of education consulting services
Youxin Education Consulting (Guangzhou) Company Limited 有信教育諮詢(廣州)有限公司 *(Note ii)*	4 June 2018 The PRC	RMB50,000,000	100%	100%	Provision of education consulting services
Guangzhou Bangrui Education Investment Company Limited 廣州邦瑞教育投資有限公司 *(Note ii)*	9 January 2017 The PRC	RMB50,000,000	100%	100%	Investment holding
Zengcheng Songtian Enterprise Company Limited *(Note ii)*	20 January 1994 The PRC	RMB20,000,000	100%	100%	Investment holding
Guangzhou College *(Note iii)*	14 June 2007 The PRC	RMB20,000,000	100%	100%	Operation of private higher vocational education institution
Songtian Polytechnic College *(Note iii)*	6 September 2007 The PRC	RMB20,000,000	100%	100%	Operation of private higher vocational education institution
Junshi Education Consulting (Ganzhou) Company Ltd. 君時教育諮詢(贛州)有限公司 *(Note ii)*	22 December 2017 The PRC	RMB50,000,000	100%	100%	Provision of education consulting services
Shuren Education *(Note ii)*	6 December 2017 The PRC	RMB150,000,000	100%	100%	Investment holding

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41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Date and place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group As at 31 August 2021	2020	Principal activities
Indirectly owned and controlled through contractual arrangement *(Note iv)* (Continued)					
Zhengzhou Transit School *(Note iii)*	25 October 2010 The PRC	RMB100,000,000	100%	100%	Operation of private secondary vocational education institution
Shangzhi Education Consulting (Ganzhou) Company Ltd. 上智教育諮詢(贛州)有限公司 *(Note ii)*	21 December 2017 The PRC	RMB200,000,000	100%	100%	Provision of education consulting services
Ganzhou Xitie *(Notes ii and v)*	5 March 2018 The PRC	RMB6,450,000	90%	62%	Provision of education consulting services
Shaanxi Xitie Education Investment Company Limited 陝西西鐵教育投資有限公司 ("Shaanxi Xitie Education") *(Notes ii and v)*	12 August 2011 The PRC	RMB6,450,000	90%	62%	Investment holding
Xi'an Railway College *(Notes iii and v)*	24 July 2007 The PRC	RMB50,000,000	90%	62%	Operation of private secondary vocational education institution
Huajiao Education Investing Management (Ganzhou) Company Limited *(Note ii)*	21 December 2017 The PRC	RMB20,000,000	100%	100%	Investment holding
Renjing Education Consulting (Ganzhou) Company Limited *(Note ii)*	18 April 2018 The PRC	RMB100,000,000	100%	100%	Investment holding
Yantai Institute *(Note iii)*	23 August 2005 The PRC	RMB18,244,300	100%	100%	Operation of private higher vocational education institution
Lexian Education Consulting (Ganzhou) Company Limited *(Note ii)*	18 April 2018 The PRC	RMB200,000,000	100%	100%	Investment holding

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41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Date and place of incorporation/ establishment/ operation	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Group As at 31 August 2021	2020	Principal activities
Indirectly owned and controlled through contractual arrangement *(Note iv)* (Continued)					
Chongqing Institute *(Note iii)*	25 July 2003 The PRC	RMB80,000,000	**100%**	100%	Operation of private higher vocational education institution
Yantai Haijun Property Limited *(Note ii)*	7 December 2009 The PRC	RMB142,582,000	**100%**	100%	Investment holding
Hainan Saipolo Education Technology Company Limited 海南塞波羅教育科技有限公司 *(Note ii)*	1 September 2020 The PRC	RMB5,000,000	**100% *(Note vi)***	–	Investment holdings
Hainan Qixing Zhiyuan Education Technology Company Limited 海南啟行致遠教育科技有限公司 *(Note ii)*	15 June 2020 The PRC	RMB10,000,000	**100% *(Note vi)***	–	Investment holding
Hainan Cyber Education Group Co., Ltd. 海南賽伯樂教育集團有限公司 *(Note ii)*	21 October 1999 The PRC	RMB300,000,000	**60% *(Note vi)***	–	Investment holding
Haikou University of Economics 海口經濟學院 *(Note iii)*	20 June 2008 The PRC	RMB300,000,000	**60% *(Note vi)***	–	Operation of private higher vocational education institution
Affiliated Art School of Haikou University of Economics 海口經濟學院附屬藝術學校 *(Note iii)*	10 August 2005 The PRC	RMB1,500,000	**60% *(Note vi)***	–	Operation of private secondary vocational education institution
Hainan Zhengyuan Property Service Co., Limited 海南正元物業服務有限公司 *(Note ii)*	14 January 2009 The PRC	RMB2,000,000	**60% *(Note vi)***	–	Provision of management services
Hainan Cyber Education Services Co., Ltd. 海南賽伯樂教育服務有限公司 *(Note ii)*	29 December 2008 The PRC	RMB30,000,000	**60% *(Note vi)***	–	Provision of education consulting services

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Notes:

(i) This subsidiary is a wholly foreign owned enterprise established in the PRC.

(ii) These subsidiaries are limited liability companies established in the PRC.

(iii) These subsidiaries are schools established in the PRC.

(iv) Due to regulatory restrictions on foreign ownership in the schools in the PRC, the Company does not have any equity interest in these entities (collectively known as "Consolidated Affiliated Entities"). However, as a result of the contractual arrangements entered by a wholly-owned subsidiary of the Company, Huajiao Education, with Jiangxi University of Technology, Guangdong Baiyun University, Baiyun Technician College, Huafang Education, Lihe Education, Zhengzhou Transit School, Xi'an Railway College, Guangzhou College, Songtian Polytechnic College, Chongqing Institute, Yantai Institute, Haikou University of Economics, Affiliated Art School of Haikou University of Economics, the Controlling Equity Holders and other relevant parties (collectively the "Contractual Arrangements"), the Company has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is therefore considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries and their financial positions and results are included in the consolidated financial statements for the year ended 31 August 2021 and 2020.

The following balances and amounts of the Consolidated Affiliated Entities were included in the consolidated financial statements:

	Year ended 31 August	
	2021	2020
	RMB'000	*RMB'000*
Revenue	**3,462,409**	2,480,681
Profit before taxation	**1,312,163**	1,144,025

	At 31 August	
	2021	2020
	RMB'000	*RMB'000*
Non-current assets	**19,560,965**	11,734,082
Current assets	**4,250,435**	3,984,576
Current liabilities	**5,900,559**	3,170,434
Non-current liabilities	**5,710,143**	1,677,026

(v) These entities are collectively known as "Xi'an Education Group", further acquisition of 28% equity interest in Ganzhou Xitie by the Group are detailed in Note ii of consolidated statement of changes in equity.

(vi) These entities were acquired throughout acquisition of Hainan Education Group, as detailed in note 37.

(vii) The entity was newly incorporated during the year ended 31 August 2021.

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

None of the subsidiaries had issued any debt securities during the year or at the end of the year.

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests.

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests At 31 August		Accumulated non-controlling interests At 31 August	
		2021	2020	2021 RMB'000	2020 RMB'000
Xi'an Education Group	The PRC	10%	38%	104,234	333,893
Hainan Education Group	The PRC	40%	N/A	733,187	–
				837,421	333,893

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Xi'an Education Group At 31 August	
	2021 RMB'000	2020 RMB'000
Current assets	578,241	497,337
Non-current assets	756,917	716,742
Current liabilities	(248,235)	(238,427)
Non-current liabilities	(44,583)	(96,986)
Equity attributable to owners of the Company	938,106	544,773
Non-controlling interests	104,234	333,893

	Xi'an Education Group Year ended 31 August	
	2021 RMB'000	2020 RMB'000
Revenue	286,092	322,388
Net cash inflow from operating activities	132,965	143,420
Net cash outflow from investing activities	(81,965)	(132,236)
Net cash inflow from financing activities	–	–
Net cash inflow	51,000	11,184

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

	Hainan Education Group At 31 August 2021 RMB'000
Current assets	319,318
Non-current assets	3,453,097
Current liabilities	(1,445,995)
Non-current liabilities	(1,669,599)
Deficit attributable to owners of the Company	(76,366)
Non-controlling interests *(Note)*	733,187

Note: As detailed in note 37, the Group is entitled to 100% of the operating results of Hainan Education Group till the end of February 2023, therefore no profit of Hainan Education Group is attributable to non-controlling interests during the year ended 31 August 2021.

	Hainan Education Group Year ended 31 August 2021 RMB'000
Revenue	653,430
Net cash inflow from operating activities	14,263
Net cash outflow from investing activities	(179,629)
Net cash outflow from financing activities	(37,089)
Net cash outflow	(202,455)

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	At 31 August	
	2021	2020
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**1,318**	141
Right-of-use asset	**–**	2,011
Investment in a subsidiary	**4,431,708**	2,348,960
Amount due from a subsidiary	**3,181,698**	4,155,131
	7,614,724	6,506,243
CURRENT ASSETS		
Amount due from a subsidiary	**275,089**	275,089
Other receivables	**738**	1,671
Bank balances and cash	**45,571**	41,363
	321,398	318,123
CURRENT LIABILITIES		
Other payables	**5,111**	6,709
Lease liability	**–**	2,194
Other borrowings	**217,850**	73,629
Amounts due to subsidiaries	**13,338**	13,338
	236,299	95,870
NET CURRENT ASSETS	**85,099**	222,253
TOTAL ASSETS LESS CURRENT LIABILITIES	**7,699,823**	6,728,496
NON-CURRENT LIABILITIES		
Other borrowings	**561,613**	820,731
Convertible bonds	**2,243,571**	2,428,247
	2,805,184	3,248,978
NET ASSETS	**4,894,639**	3,479,518
CAPITAL AND RESERVES		
Share capital	**19**	18
Reserves	**4,894,620**	3,479,500
	4,894,639	3,479,518

Notes to the Consolidated Financial Statements

For the year ended 31 August 2021

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

Movement in the Company's reserves

	Share premium *RMB'000*	Share options reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 September 2019	2,579,785	92,619	(379,334)	2,293,070
Loss and total comprehensive expense	–	–	(207,653)	(207,653)
Issue of new shares *(note 32)*	1,798,602	(101)	–	1,798,501
Dividend recognised as distribution *(note 12)*	(410,738)	–	–	(410,738)
Recognition of equity-settled share-based payments	–	6,320	–	6,320
At 31 August 2020	**3,967,649**	**98,838**	**(586,987)**	**3,479,500**
Profit and total comprehensive income	**–**	**–**	**391,068**	**391,068**
Issue of new shares *(note 32)*	**1,687,922**	**(2,139)**	**–**	**1,685,783**
Dividend recognised as distribution *(note 12)*	**(636,659)**	**–**	**–**	**(636,659)**
Recognition of equity-settled share-based payments	**–**	**(25,072)**	**–**	**(25,072)**
At 31 August 2021	**5,018,912**	**71,627**	**(195,919)**	**4,894,620**

43. EVENTS AFTER REPORTING PERIOD

On 14 September 2021, the Group has completed the acquisition of Long Link and it became a subsidiary of the Group as detailed in note 19. The initial accounting of financial impact and disclosure for the fair value of each major class of assets acquired and liabilities assumed as of the acquisition date, for example, valuation of assets acquired and liabilities assumed, is in progress at the time when these consolidated financial statements are authorised for issue. Details of the acquisition were set out in the announcements of the Company dated 26 July 2021, 10 August 2021 and 14 September 2021, respectively.

On 19 October 2021, the Company entered into a placing agreement ("2021 Second Placing Agreement") with the Vendors and the Placing Agent and a subscription agreement ("2021 Second Subscription Agreement") with the Vendors, pursuant to which the Placing Agent agreed to place, on a fully underwritten basis, 78,000,000 existing shares to certain placees at HK$15.10 per share (the "2021 Second Placing"), and the Vendors agreed to subscribe for 78,000,000 new shares of the Company at HK$15.10 per share (the "2021 Second Subscription"), respectively. The 2021 Second Placing and the 2021 Second Subscription were completed on 22 October 2021 and 27 October 2021 respectively, in accordance with the terms and conditions of the 2021 Second Placing Agreement and the 2021 Second Subscription Agreement. The proceeds, net of related fees and expenses, from the 2021 Second Subscription amounted to approximately HK$1,170 million. The new shares rank pari passu with the existing shares in all respects.

Financial Summary

RESULTS

	Year ended 31 December	Eight months ended 31 August	Year ended 31 August		
	2017	2018	2019	2020	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Continuing operations					
Revenue	949,171	932,910	1,954,874	2,678,088	**3,682,440**
Cost of revenue	(389,448)	(360,238)	(833,401)	(1,077,101)	**(1,507,348)**
Gross profit	559,723	572,672	1,121,473	1,600,987	**2,175,092**
Profit before taxation	423,195	387,928	668,300	729,581	**1,510,968**
Profit for the year/period from continuing operation	421,465	401,082	687,238	710,351	**1,471,762**
Discontinued operations					
Profit (loss) for the year/period from discontinued operations	7,407	–	–	–	**–**
Profit for the year/period	428,872	401,082	687,238	710,351	**1,471,762**
Adjusted net profit *(Note i)*	482,742	497,572	859,132	1,061,276	**1,574,346**

Profitability Margins	Year ended 31 December 2017	Eight months ended 31 August 2018	Year ended 31 August 2019	2020	**2021**
Gross profit margin	59.0%	61.4%	57.4%	59.8%	**59.1%**
Adjusted net profit margin	50.9%	53.3%	43.9%	39.6%	**42.8%**

Note i: Adjusted net profit was derived from the profit for the year/period after adjusting for foreign exchange gain/loss, share-based payments, imputed interest on deferred cash considerations, fair value change on convertible bonds, one-off and other current period expenses related to conversion of independent colleges into private universities, for value change on construction cost payables for school premises and listing expenses.

OPERATIONAL DATA

	Year ended 31 December	Eight months ended 31 August	Year ended 31 August		
	2017/2018	2018	2019	2020	**2021**
Total student enrollment	76,204	121,315	170,098	180,179	**240,004**
Total number of schools	3	5	9	11	**13**
Estimated total capacity for students	70,027	123,620	183,032	192,275	**261,962**
Overall utilisation rate	92.6%	86.4%	80.8%	82.4%	**72.3%**

Financial Summary

ASSETS AND LIABILITIES

	At 31 December	At 31 August			
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021 RMB'000**
Non-current assets	3,301,583	6,674,585	10,432,810	12,934,023	**20,871,224**
Current assets	3,370,369	2,058,642	4,906,251	5,040,767	**5,875,730**
Current liabilities	(947,117)	(1,747,337)	(3,728,938)	(3,378,675)	**(6,248,891)**
Net current assets (liabilities)	2,423,252	311,305	1,177,313	1,662,092	**(373,161)**
Total assets less current liabilities	5,724,835	6,985,890	11,610,123	14,596,115	**20,498,063**
Equity attributable to owners of the Company	5,639,043	6,143,097	6,594,543	8,573,467	**10,919,404**
Non-controlling interests	–	319,073	413,694	333,893	**837,421**
Total equity	5,639,043	6,462,170	7,008,237	8,907,360	**11,756,825**
Non-current liabilities	85,792	523,720	4,601,886	5,688,755	**8,741,238**
Total equity and non-current liabilities	5,724,835	6,985,890	11,610,123	14,596,115	**20,498,063**

	At 31 December	At 31 August			
Selected Major Items	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021 RMB'000**
Property, plant and equipment	2,638,560	3,258,673	5,850,771	6,846,583	**12,126,263**
Bank balances and cash	3,243,144	1,738,455	3,496,587	3,443,070	**3,327,191**
Bank borrowings	–	130,000	1,195,372	1,678,141	**4,485,834**
Other borrowings	–	107,000	927,455	1,000,368	**1,605,409**
Convertible bonds	–	–	2,143,783	2,428,247	**2,243,571**
Contract liabilities	–	1,037,964	1,617,328	1,238,857	**2,265,855**
Deferred income	753,185	57,888	69,937	81,490	**73,384**

	At 31 December	At 31 August			
Liquidity	2017	2018	2019	2020	**2021**
Gearing ratio *(Note ii)*	0.0%	3.7%	60.9%	57.3%	**70.9%**

Note ii: The gearing ratio was calculated as total borrowings divided by total equity as at the end of the relevant financial year/period.

Glossary

"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Affiliated Art School of Haikou University of Economics"	Affiliated Art School of Haikou University of Economics (海口經濟學院附屬藝術學校), one of our PRC member schools
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"AUD"	Australian dollars, the lawful currency of Australia
"Baiyun Technician College"	Guangzhou Baiyun Technician College of Business (廣州市白雲工商技師學院), one of our PRC member schools
"Bangrui Education"	Guangzhou Bangrui Education Investment Company Limited (廣州邦瑞教育投資有限公司), a company established in the PRC with limited liability and one of the consolidated affiliated entities
"Blue Sky BVI"	Blue Sky Education International Limited (藍天教育國際有限公司), a controlling shareholder of the Company
"Board"	the board of directors of the Company
"CG Code"	Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Chengdu Jincheng College"	Chengdu Jincheng College (成都錦城學院), one of our PRC member schools
"China" or "PRC"	the People's Republic of China and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau and Taiwan
"Chongqing Institute of Foreign Studies"	Chongqing Institute of Foreign Studies (重慶外語外事學院), one of our PRC member schools
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Company"	China Education Group Holdings Limited (中國教育集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"consolidated affiliated entities" or "consolidated affiliated entity"	the entities we control through the Contractual Arrangements

Glossary

"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, Huajiao Education, Mr. Yu, Mr. Xie, Dr. Yu Kai and the relevant consolidated affiliated entities
"controlling shareholders"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Ganzhou Xitie Education"	Ganzhou Xitie Education Consulting Company Limited (贛州西鐵教育諮詢有限公司), a company established in the PRC with limited liability and one of our consolidated affiliated entities
"GBP"	Great Britain Pound, the lawful currency of UK
"Group", "we", "us", or "our"	the Company, its subsidiaries and its consolidated affiliated entities from time to time
"Guangdong Baiyun University"	Guangdong Baiyun University (廣東白雲學院), one of our PRC member schools
"Guangzhou College of Applied Science and Technology"	Guangzhou College of Applied Science and Technology (廣州應用科技學院), one of our PRC member schools
"Haikou University of Economics"	Haikou University of Economics (海口經濟學院), one of our PRC member schools
"Hainan BVI"	SAIPOLO Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"Hainan Cyber Education"	Hainan Cyber Education Group Co., Ltd. (海南賽伯樂教育集團有限公司), a company incorporated in the PRC with limited liability and a 60% owned consolidated affiliated entity of the Company
"Hainan WFOE"	Hainan Cyber Education Technology Company Limited (海南塞波羅教育科技有限公司), a wholly-owned foreign enterprise set up in the PRC and a wholly-owned subsidiary of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Huafang Education"	Huafang Education Investment Group (Ganzhou) Company Limited (華方教育投資集團(贛州)有限公司), one of our consolidated affiliated entities
"Huajiao Education" or "WFOE"	Huajiao Education Technology (Jiangxi) Company Limited (華教教育科技(江西)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company

Glossary

"independent third party(ies)"	any entity(ies) or persons who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
"INED"	independent non-executive directors
"Interim Contractual Arrangements"	the contractual arrangements entered into by Ms. Wu Yanling, Qixing Zhiyuan Education and Hainan WFOE that allow Hainan WFOE to exercise control over Qixing Zhiyuan Education
"Jiangxi University of Technology"	Jiangxi University of Technology (江西科技學院), one of our PRC member schools
"Junshi Education"	Junshi Education Consulting (Ganzhou) Company Limited (君時教育諮詢(贛州)有限公司), a company established in the PRC with limited liability and one of the consolidated affiliated entities
"King's Own Institute" or "KOI"	Australian Institute of Business and Management Pty Ltd (trading as King's Own Institute), a company incorporated in New South Wales, Australia and our member school in Australia
"Lihe Education"	Lihe Education Consulting (Ganzhou) Company Limited (禮和教育諮詢(贛州)有限公司), a company established in the PRC with limited liability and one of our consolidated affiliated entities
"Lishang Education"	Lishang Education Consulting (Ganzhou) Company Limited (禮尚教育諮詢(贛州)有限公司), a company established in the PRC with limited liability and one of our consolidated affiliated entities
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange on the Listing Date
"Listing Date"	15 December 2017, the date on which the Shares were listed and on which dealings in the Shares were first permitted to take place on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MOE"	the Ministry of Education of the PRC (中華人民共和國教育部)
"Mr. Xie"	Mr. Xie Ketao (謝可滔), an executive director, co-chairman and a controlling shareholder of the Company
"Mr. Yu"	Mr. Yu Guo (于果), an executive director, co-chairman and a controlling shareholder of the Company

Glossary

"Nanchang Jiangke"	Nanchang Jiangke Education Investment Co., Ltd. (南昌江科教育投資有限公司), a company established in the PRC with limited liability and one of our consolidated affiliated entities
"Qixing Zhiyuan Education"	Hainan Qixing Zhiyuan Education Technology Company Limited (海南啟行致遠教育科技有限公司), a company established in the PRC with limited liability and one of our consolidated affiliated entities
"Renjing Education"	仁敬教育諮詢(贛州)有限公司 (Renjing Education Consulting (Ganzhou) Company Limited), a company established in the PRC with limited liability and one of our consolidated affiliated entities
"Richmond University"	Richmond, The American International University in London, a university accredited to award both UK and US degrees
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shaanxi Xitie Education"	Shaanxi Xitie Education Investment Company Limited (陝西西鐵教育投資有限公司), a company established in the PRC with limited liability and one of our consolidated affiliated entities
"Shandong Dazhong Cultural"	Shandong Dazhong Cultural Industry Investment Limited (山東大眾文化產業投資有限公司), a company established in the PRC with limited liability and one of our consolidated affiliated entities
"Shangzhi Education"	Shangzhi Education Consulting (Ganzhou) Company Limited (上智教育諮詢(贛州)有限公司), one of our consolidated affiliated entities
"Shareholder(s)"	holder(s) of our Share(s)
"Shares"	ordinary shares in our Company of par value HK$0.00001 each
"Shuren Education"	Shuren Education Management Company Limited (樹仁教育管理有限公司), a company established in the PRC with limited liability and one of our consolidated affiliated entities
"Shuzhi Education"	Shuzhi Education Consulting (Ganzhou) Co., Ltd. (術智教育諮詢(贛州)有限公司), a company established in the PRC with limited liability and one of our consolidated affiliated entities
"Songtian Company"	Zengcheng Songtian Enterprise Company Limited (增城市松田實業有限公司), a company established in the PRC with limited liability and one of our consolidated affiliated entities

Glossary

"Songtian Group"	Songtian Company, Songtian Polytechnic College and Guangzhou College of Applied Science and Technology
"Songtian Polytechnic College"	Guangzhou Songtian Polytechnic College (廣州松田職業學院), one of our PRC member schools
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars" or "US$"	United States dollars, the lawful currency of the United States
"VP Shenzhen"	Value Partners Private Equity Investment Management (Shen Zhen) Limited (惠理股權投資管理(深圳)有限公司), a company established in the PRC and a wholly-owned subsidiary of Value Partners Group Limited
"White Clouds BVI"	White Clouds Education International Limited (白雲教育國際有限公司), a controlling shareholder of the Company
"Xi'an Railway College"	Xi'an Railway Technician College (西安鐵道技師學院), one of our PRC member schools
"Yantai Institute of Science and Technology"	Yantai Institute of Science and Technology (烟台科技學院), one of our PRC member schools
"Youxin Education"	Youxin Education Consulting (Guangzhou) Company Limited (有信教育諮詢(廣州)有限公司), a company established in the PRC with limited liability and one of our consolidated affiliated entities
"Zhengzhou Transit School"	Zhengzhou Urban Rail Transit School (鄭州城軌交通中等專業學校), one of our PRC member schools
"%"	per cent

The English names of the PRC entities (including schools), PRC laws or regulations, PRC awards/accreditations, and the PRC governmental authorities referred to in this annual report are merely translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.