中國科培教育集團有限公司
China Kepei Education Group Limited

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立的有限公司）

Stock Code 股份代號：1890

ANNUAL REPORT 年度報告 2021

Contents

Company Profile

China Kepei Education Group Limited (the "Company"), together with its subsidiaries (collectively refers to as the "Group", "we", "our" or "us"), is a leading provider of private vocational education services in China focusing on profession-oriented and vocational education. As of 31 August 2021, we had an aggregate of 104,696 students enrolled at the schools we operated and consolidated, namely, Guangdong Polytechnic College, Zhaoqing Science and Technology Secondary Vocational School* (肇慶市科技中等職業學校) ("Zhaoqing School"), Harbin Institute of Petroleum* (哈爾濱石油學院) and Huaibei Polytechnic College (collectively, the "PRC Schools"), and a degree-granting undergraduate-level education school operated under the entrustment agreement with the Group, namely, Maanshan College.

We are committed to providing students with high-quality profession-oriented and vocational education and helping them to meet the growing and changing market demands. We are primarily focused on engineering majors to better capture local employment demands, balanced with economics, management, education and art majors to offer well-rounded education services. We endeavor to provide students with various profession-oriented and application-oriented training and internship opportunities in collaboration with research institutions and enterprises, through which we foster practical skills and market competitiveness of our students.

Through over 21 years of operating private higher education in China, we believe that we have established a strong reputation, which helps us attract high-quality students and teachers and pave the way for our success. We intend to maintain and strengthen our market position in the private vocational education industry in China.

* denotes English translation of the name of a Chinese company or entity and is provided for identification purpose only

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Ye Nianqiao *(Chairman and Chief Executive Officer)*
Dr. Zhang Xiangwei
Mr. Zha Donghui
Ms. Li Yan
Mr. Ye Xun

Non-executive Director

Mr. Wang Chuanwu

Independent Non-executive Directors

Dr. Xu Ming
Dr. Deng Feiqi
Dr. Li Xiaolu *(resigned on 2 August 2021)*
Mr. Lu Chao *(appointed on 2 August 2021)*

AUDIT COMMITTEE

Dr. Xu Ming *(Chairman)*
Mr. Wang Chuanwu
Dr. Deng Feiqi

REMUNERATION COMMITTEE

Dr. Deng Feiqi *(Chairman)*
Mr. Zha Donghui
Dr. Li Xiaolu *(resigned on 2 August 2021)*
Mr. Lu Chao *(appointed on 2 August 2021)*

NOMINATION COMMITTEE

Mr. Ye Nianqiao *(Chairman)*
Dr. Deng Feiqi
Dr. Li Xiaolu *(resigned on 2 August 2021)*
Mr. Lu Chao *(appointed on 2 August 2021)*

JOINT COMPANY SECRETARIES

Ms. Li Yan
Ms. Leung Suet Wing *(resigned on 15 July 2021)*
Mr. Lee Kwok Fai Kenneth *(appointed on 15 July 2021)*

AUTHORIZED REPRESENTATIVES

Mr. Ye Nianqiao
Ms. Leung Suet Wing *(resigned on 15 July 2021)*
Mr. Lee Kwok Fai Kenneth *(appointed on 15 July 2021)*

REGISTERED OFFICE

Maples Corporate Services Limited
P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Qifu Road
Gaoyao District
Zhaoqing City
Guangdong Province
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISORS

As to Hong Kong law:
Fangda Partners
26/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC law:
Commerce & Finance Law Offices
12-14th Floor, China World Office 2
No. 1 Jianguomenwai Avenue
Chaoyang District, Beijing
the PRC

As to Cayman Islands law:
Maples and Calder (Hong Kong) LLP
53rd Floor, The Center
99 Queen's Road
Central
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

INVESTOR RELATIONS

Mr. Zheng Chaoran
Investor Relations Director
Email: ir@kepeieducation.com

STOCK CODE

1890

COMPANY'S WEBSITE

www.chinakepeiedu.com

Pro Forma Annual Results

On 31 August 2021, we announced the change of our financial year-end date from 31 December to 31 August so as to align the financial year of the Group with the academic year of the schools operated by the Group in the PRC, which ends in August each year, therefore, the annual results of 2021 covered a period of eight months from 1 January 2021 to 31 August 2021. To provide meaningful comparative information, we prepared pro forma annual results covering the twelve-month period ended 31 August 2021 and 31 August 2020 (the "Pro Forma Period"), and such pro forma figures are contained in the section headed "Management Discussion and Analysis" on pages 24 to 28 of this annual report and have not been audited.

	Year ended 31 August			
	2021 (Pro forma) RMB'000	2020 (Pro forma) RMB'000	**Change** RMB'000	**Percentage Change** (%)
Revenue	**1,119,626**	773,852	345,774	+44.7
Cost of sales	**350,575**	255,686	94,889	+37.1
Gross profit	**769,051**	518,166	250,885	+48.4
Profit before tax	**633,407**	481,759	151,648	+31.5
Profit for the year	**592,938**	484,691	108,247	+22.3
Core net profit**	**657,545**	499,475	158,070	+31.6
Adjusted EBITDA*	**847,313**	582,867	264,446	+45.4

* Adjusted EBITDA is defined as to earnings before interest, income tax expenses, depreciation and amortization after adjusting for the item which is not indicative of the Group's operating performance.

** Core net profit was derived from the profit for the year after adjusting for the item which is not indicative of the Group's operating performance. Please refer to the section of "Financial Review" in this annual report for details of the reconciliation of the profit for the year to the core net profit of the Group.

Key Items of Financial Position and Cash Flows

A summary of the key items of financial position and cash flows for year/period ended, as extracted from the published audited financial statements, are set out below:

Assets, liabilities and equity						**As at**
	As at 31 December					**31 August**
	2016	2017	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Non-current assets	895,312	1,163,411	1,603,428	1,980,264	2,557,687	**5,211,718**
Current assets	765,910	844,737	726,821	1,442,854	1,858,715	**1,535,084**
Current liabilities	493,383	509,762	793,715	521,005	965,242	**2,809,299**
Net current assets/(liabilities)	272,527	334,975	(66,894)	921,849	893,473	**(1,274,215)**
Total assets less current liabilities	1,167,839	1,498,386	1,536,534	2,902,113	3,451,160	**3,937,503**
Non-current liabilities	170,235	329,777	103,969	112,200	277,433	**697,094**
Total equity	997,604	1,168,609	1,432,565	2,789,913	3,173,727	**3,240,409**

Cash flows						**For the Eight months ended**
	For the year ended 31 December					**31 August**
	2016	2017	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Net cash from operating activities	288,232	398,496	483,624	538,975	636,239	**121,988**

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I am pleased to present the annual report of the Group for the eight months ended 31 August 2021. During the eight months ended 31 August 2021, the State Council introduced a number of favorable policies to promote vocational education, including 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) (the "Policy"). The education businesses of the Group cover all modern vocational education system, including the secondary level vocational program, higher level vocational program and undergraduate level vocational program (including application-oriented undergraduate program and college level program). The education businesses provided by the Group in all schools in China will be benefited from the Policy. The Company believes that the businesses of the Group are conducive to the regulatory guidance of the Policy and the realization of the country's strategic education goals of accelerating the establishment of a modern vocational education system to cultivate more technical and skilled talents.

BUSINESS HIGHLIGHTS

Benefiting from the favorite policies on the vocational education by the government and the students' strong demand for high-quality education, the Group has achieved a strong increase in student enrollment. For the school year of 2020/2021, the total number of enrolled students of the schools consolidated by the Group was 104,696, increased by 28.8% from the school year of 2019/2020.

During the eight months ended 31 August 2021, the Group further expanded its school networks with two newly acquired schools, Maanshan College and Huaibei Polytechnic College. The Group believes that the acquisitions mark the Group's further step to expand its school networks to Yangtze River Delta in the PRC and increase its market share. The Group sees great growth potential in the newly acquired schools and has faith to implement effective measures to integrate the schools into the Group. The Group intends to continue to leverage its leading industry experience to streamline the operation of schools and enhance its operational performance.

Chairman's Statement

PROSPECTS

In the future, the Group will collaborate with industry leading enterprises to establish industrial colleges. The Group will leverage its extensive school-enterprise relationships in Pearl River Delta and Yangze River Delta regions to develop more industrial colleges in the schools operated by the Group and cultivate more high-quality technical and skilled talents to meet the needs of the regional economy. In addition, the Group will actively promote school-enterprise cooperation and industry-education integration to enable the close connection between major designs and industry needs. Furthermore, the Group plans to penetrate into the vocational schools under the asset-light model and adopt measures such as cooperation and trusteeship to build a group of excellent vocational schools and high-quality majors, and focus on the delivery of talents with a solid foundation of technical skills and a qualified cultural foundation.

APPRECIATION

On behalf of the Board, I would like to thank all our students and their parents for their continued trust and confidence. I would also like to extend our sincere gratitude to all our teachers, the management and the entire staff for carrying out the Group's strategies with outstanding professionalism, integrity and dedication. I am also thankful to every investor who supports us for our continuous growth. The Group will continue to devote itself to the development of vocational education, enhance its teaching quality, create and offer high-quality vocational education opportunities for more students and cultivate technical and skilled talents to meet the local demands, make proactive contribution to economic and social developments of China and thus fulfilling the Group's mission and social responsibilities.

Ye Nianqiao
Chairman
Hong Kong, 29 November 2021

Management Discussion and Analysis

MARKET OVERVIEW

The Group is the largest vocational education group in the Pearl River Delta and Yangtze River Delta, the two most important economic regions in China. During the eight months ended 31 August 2021 (the "Reporting Period"), the State Council introduced a number of favorable policies to promote vocational education. On 12 October 2021, the Central Committee of the Communist Party of China and the State Council of the People's Republic of China issued the Policy and gave a notice requiring the implementation thereof by all government units across China. There are numbers of favorable measures under the Policy to promote the development of vocational education, include but not limit to, encourage listed companies and industry-leading enterprises to operate vocational education, encourage vocational universities to enroll more graduates from secondary and higher vocational schools, encourage vocational schools and enterprises to jointly operate and develop industrial colleges, encourage vocational schools to cooperate with social capitals to build vocational education infrastructure and provide incentives treatment including financing, governmental funding, land and credit to the operators of vocational education. Pursuant to the Policy, vocational education has a promising future and great market potential. The Policy also sets a goal that vocational education in China should be ranked among the best globally by 2035. During the period of "13th Five-Year Plan" (2016-2020), the gross enrollment rate of higher education in China increased from 40.0% to 54.4%, achieving a widespread stage and popularization of higher education. According to the "14th Five-Year Plan" (2021-2025), the gross enrollment rate of higher education is targeted to improve to 60.0% in 2025.

The education businesses of the Group cover all modern vocational education system, including the secondary level vocational program, higher level vocational program and undergraduate level vocational program (including application-oriented undergraduate program and college level program). The education businesses provided by the Group in all schools in China will be benefited from the Policy as well as the continuous increase of gross enrollment rate. The Company believes that the businesses of the Group are conducive to the regulatory guidance of the Policy and the realization of the country's strategic education goals of accelerating the establishment of a modern vocational education system to cultivate more technical and skilled talents. The Group will continue to devote itself to the development of vocational education, enhance its teaching quality, create and offer high-quality vocational education opportunities for more students and cultivate technical and skilled talents to meet the local demands, making proactive contribution to economic and social developments of China and thus fulfilling the Group's mission and social responsibilities.

BUSINESS OVERVIEW

Since the establishment of our first school, Zhaoqing School in 2000, the Group has always adhered to the leadership of the Party and the correct direction of operating schools, and strived to strengthen moral education and cultivate talents. Our mission is to build a skills-based society, cultivate more high-quality technological talents, and provide powerful talents with skills in contributing to the comprehensive construction of a modern socialist country. While expanding the scale of schools, we have always adhered to high-quality development as the direction of operating schools, focusing on the training of skilled talents.

Our schools are mainly located in the advanced manufacturing centers of the Pearl River Delta and the Yangtze River Delta. We have been committed to delivering skilled talents to outstanding enterprises in the regions. We are the first private school to invest in the construction of experimental training rooms, and we have always invested heavily in experimental training. In the past three years, the Group invested RMB280 million in aggregate in establishing high-standard experimental training bases and purchasing advanced training equipment, with more than 500 laboratories constructed for various disciplines. We have established experimental training bases with more than 500 enterprises in the Pearl River Delta and the Yangtze River Delta Region. This year, Guangdong Polytechnic College has seven industry-university cooperation projects being selected into the approval list of the first batch of industry-university cooperation collaborative education projects issued by the Department of Higher Education of the Ministry of Education. Guangdong Polytechnic College is also one of the first batch of private schools in Guangdong Province awarded the title of National Mass Innovation Space. We have always adhered to constructing experimental training rooms and training bases required for meeting the high-quality development of modern vocational education with heavy investments and high standards, closely aligning with industrial upgrading and technological change trends, and cultivating professional technical talents in line with the development of local economy and industrial upgrading.

We are highly concerned about student development, and pay attention to the construction of a double-qualified teacher team. In the past three years, we provided more than 60,000 employment and job options for 30,000 fresh graduates in total. Even in the case of recurrent epidemics, we still actively organized various offline and online job fairs and mutual selection sessions, and put emphasis on the employment quality of students. Our employment rate has been among the highest in the province for many consecutive years. In addition to employment, we also provide free postgraduate entrance examination books for postgraduate students, and provide sufficient guidance to help students fulfill their dreams of receiving higher education. The postgraduate entrance examination rate of Harbin Institute of Petroleum and Maanshan College exceeded 15%, ranking among the top three of the private schools in the province. In response to the State’s call for enrollment expansion of higher vocational education, we actively organized training courses on adaptability for veterans, with a total of more than 1,000 people were trained, and provided one-stop training and employment services for veterans. In terms of teachers team building, we have established a teaching quality evaluation system for double-qualified teachers, and increased teachers’ remunerations. We have offered a total of more than 100 teachers with free overseas doctoral study opportunities, and provided a total of approximately 300 employee low-cost rental units to outstanding teachers to help them settle down and purchase properties.

We care for the society and organize multi-level activities to enhance students' sense of patriotism and social responsibility. Since the establishment of our schools, we have attached a great importance to the construction of grassroot organizations of the Party. On the centenary of the establishment of the Party, we organized a number of Party history learning and discussion sessions to enhance students' patriotic consciousness. We actively carried out Party building activities such as visiting old Party members and the people in need, and "take the red road again". In terms of caring for the community, we visited and expressed our solicitude to the elderly in nursing homes many times, carried out voluntary blood donation in the community, and popularized common sense of epidemic prevention and control. We are committed to cultivating highly skilled talents with a sense of social responsibility who love the country and the Party.

The Group is a leading provider of private vocational education services in China focusing on profession-oriented education. During the Reporting Period, the Group has actively expanded its school networks, improved education quality and achieved steadily-improved operating performance and solid growth. The Group further expanded its school network to Anhui Province with newly acquired and entrusted schools, namely Huaibei Polytechnic College and Maanshan College. Currently, the Group operates five schools in three provinces in China. As of 31 August 2021, the Group had an aggregate of 104,696 students enrolled at the schools we operated, namely, Guangdong Polytechnic College, Zhaoqing School, Harbin Institute of Petroleum* (哈爾濱石油學院), Huaibei Polytechnic College and Maanshan College.

Market Position

With over 21 years' experience in operating vocational education institutions in China, the Group is a leading provider of private vocational education services in China. According to the market research, Guangdong Polytechnic College ranked first among the private higher education institutions (excluding independent colleges) in South China in terms of the number of newly admitted students and student enrollment. Zhaoqing School ranked first in terms of student enrollment among the private specialized secondary vocational schools in Guangdong Province.

The Group is committed to providing students with high-quality profession-oriented and vocational education and helping them to meet the growing and changing market demands. The Group is primarily focused on engineering majors to better capture local employment demands balanced with economics, management, education and art majors to offer well-rounded education services. It endeavors to provide students with various profession-oriented training and internship opportunities in collaboration with research institutions and enterprises, which fosters practical skills and market competitiveness of the students.

Completion of Acquisition of Harbin Institute of Petroleum

On 29 March 2021, Tibet Kepei Information Technology Co., Ltd.* (西藏科培信息科技有限公司) ("Tibet Kepei") and Harbin Institute of Petroleum entered into the Harbin Institute of Petroleum Structured Contracts (as defined in the announcement of the Company dated 29 March 2021), of which the terms and conditions therein are the same as the existing Structured Contracts in all material aspects, pursuant to which Harbin Institute of Petroleum became an entity controlled by the Company, and its financial results was consolidated into the accounts of the Group. For more details, please refer to the announcement of the Company dated 29 March 2021.

Acquisition of Huaibei Polytechnic College

On 29 March 2021, Zhaoqing Kepei Education Investment Development Co., Ltd.* (肇慶市科培教育投資開發有限公司) ("Zhaoqing Kepei") entered into the equity transfer agreements with Zhaoqing Gaoyao District Xincheng Education Investment Development Company Limited* (肇慶高要區信誠教育投資開發有限公司) and Zhaoqing Gaoyao District Deshang Education Investment Development Company Limited* (肇慶高要區德尚教育投資開發有限公司) to purchase an aggregate of 55% equity interest in Huaibei Kepei Education Investment Development Company Limited* (淮北科培教育投資開發有限公司) ("Huaibei Kepei"), the sole sponsor of Huaibei Polytechnic College, in the aggregate amount of RMB197,340,000 (equivalent to approximately HK$234,222,846). Zhaoqing Kepei holds 100% equity interest in Huaibei Kepei upon completion of the acquisition. During the Reporting Period, a high-standard campus meeting the needs of the modern vocational and application-oriented undergraduate teaching in the Yangtze River Delta has been put into use, currently capable of serving approximately 10,000 students and can accommodate up to 20,000 students in the future. Huaibei Polytechnic College has commenced operation in the new campus in September 2021. With the acquisition of Huaibei Polytechnic College, the Group is able to further promote its market position in the Yangtze River Delta in the PRC, thereby generating optimal synergy effect among the schools under the Group.

Acquisition Progress of Maanshan College in Anhui Province

On 15 July 2021, the Group entered into a Sponsorship Transfer Agreement (as defined in the announcement of the Company dated 15 July 2021) with an independent third party to acquire 100% sponsorship interest in Maanshan College.

Maanshan College, formerly known as the Business School of Anhui University of Technology, is a high-quality undergraduate college founded in 2003 with a leading provincial employment rate of 91.0% and student registration rate of 96.1% for the 2020/2021 school year. It is located in Maanshan city, Anhui Province with a total of 9,088 undergraduate students as of 31 August 2021.

The Group entered into an entrustment agreement (the "Entrustment Agreement") with Maanshan College in July 2021, pursuant to which the management rights of Maanshan College shall be entrusted to the Group with effect from the effective date of the Entrustment Agreement until the completion of the acquisition. The acquisition of Maanshan College by the Group is still pending for the approval from the Ministry of Education and registration with the provincial civil affairs authorities. Therefore, Maanshan College was not a consolidated subsidiary of the Group as of the date of this report.

The Group believes that the acquisition marks the Group's further step to expand the school position in Yangtze River Delta in the PRC and increase its market share. The Group sees great growth potential in Maanshan College and have faith to implement effective measures to integrate Maanshan College into the Group. The Group intends to continue to leverage its leading industry experience to streamline the operation of Maanshan College and enhance its operational performance. The Group intends to implement the Group's centralized management system to improve operational efficiencies of Maanshan College, increase its school's capacity, expand its course offerings, and cultivate more technical and skilled talents to serve the regional economic development.

Management Discussion and Analysis

The Schools Operated by the Group

Guangdong Polytechnic College: A degree-granting undergraduate-level education institution established in 2005 which offers undergraduate, junior college and adult education programs. As of 31 August 2021, it has a total of 85,528 students enrolled, consisting of 29,047 undergraduate students, 6,287 junior college students and 50,194 adult college students. It offers 33 undergraduate majors and 26 junior college majors, in a wide range of subject areas. Its core majors include computer science and technology, electrical engineering and automation, electronic information engineering and mechanical design;

Zhaoqing School: A secondary vocational school established in 2000 which provides secondary vocational education in 12 majors, including new energy automobile servicing, childhood healthcare, and electromechanical technology application. As of 31 August 2021, it has a total of 8,504 students enrolled;

Harbin Institute of Petroleum: A degree-granting undergraduate-level education institution established in 2003 and was consolidated by the Company since April 2021. It offers undergraduate and adult education programs. As of 31 August 2021, it has a total of 10,664 students, including 9,726 undergraduate students and 938 adult college students. It offers 32 undergraduate majors in a wide range of subject areas. Its core majors include mechatronic engineering, computer science and technology, petroleum engineering, internet of things, electronic information engineering; and

Huaibei Polytechnic College: A degree-granting undergraduate-level education institution established in 2003, formerly known as Huaibei Normal University Information College, and was approved by the Ministry of Education for conversion in June 2021 as a private regular undergraduate institution, namely Huaibei Polytechnic College. It offers 11 undergraduate majors in a wide range of subject areas such as electronic and information engineering and e-commerce. Huaibei Polytechnic College has commenced operation in the new campus in September 2021.

Revenue

The Group's revenue was RMB671.3 million for the eight months ended 31 August 2021. The pro forma revenue increased by 44.7% from the pro forma revenue of RMB773.9 million for the year ended 31 August 2020 to RMB1,119.6 million for the year ended 31 August 2021. The Group typically charges students fees comprising tuition fees, boarding fees and other education service fees. Tuition fees remained as the major revenue, accounted for approximately 93.1% of the total revenue of the Group for the eight months ended 31 August 2021.

The table below summarises the amount of revenue generated from tuition fees, boarding fees and other education service fees charged by PRC Schools for the periods/year indicated:

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
Tuition fees		
Undergraduate program	**472,643**	576,412
Junior college program	**62,019**	109,102
Adult college program	**49,941**	62,672
Secondary vocational education	**40,496**	71,969
Total tuition fees	**625,099**	820,155
Boarding fees	**40,538**	37,019
Other education service fees	**5,658**	10,077
Total	**671,295**	867,251

Management Discussion and Analysis

To provide meaningful comparative information of revenue generated from tuition fees, boarding fees and other education service fees charged by the PRC Schools for the 2020/2021 and 2019/2020 school year, the Group prepared pro forma amounts of revenue covering the twelve-month period ended 31 August 2021 and 31 August 2020, and such pro forma amounts are detailed in the following table and have not been audited.

	Year ended 31 August			
	2021	2020		**Percentage**
	(Pro forma)	(Pro forma)	**Change**	**Change**
	RMB'000	RMB'000	RMB'000	(%)
Tuition fees				
Undergraduate program	**768,021**	512,019	256,002	+50.0
Junior college program	**110,891**	109,723	1,168	+1.1
Adult college program	**77,376**	54,049	23,327	+43.2
Secondary vocational education	**77,878**	59,586	18,292	+30.7
Total tuition fees	**1,034,166**	735,377	298,789	+40.6
Boarding fees	**72,395**	29,580	42,815	+144.7
Other education service fees	**13,065**	8,895	4,170	+46.9
Total	**1,119,626**	773,852	345,774	+44.7

The increase of the pro forma revenue of the Group for the year ended 31 August 2021 was mainly due to (1) the completion of acquisition of Harbin Institute of Petroleum in March 2021; and (2) the continued increase of the Group's student enrollment and average tuition fee. The boarding fees increased significantly mainly because the students did not return to the campus in the second semester of 2019/2020 school year due to the impact of COVID-19 pandemic and the PRC Schools refunded the boarding fees of RMB26 million to the students for the year ended 31 August 2020 and the increase of the Group's student enrollment and average boarding fee in 2020/2021 school year.

The Group will increase the tuition fee and boarding fee standard for certain programs in the 2021/2022 school year. The following table sets out the tuition fees and boarding fees information for the schools for the school years indicated:

	Tuition Fees[1]/ School Year		Boarding Fees[1]/ School Year	
	2021/2022	2020/2021	**2021/2022**	2020/2021
School	**RMB**	RMB	**RMB**	RMB
Consolidated schools				
Guangdong Polytechnic College				
– Undergraduate program[2]	**29,800**	26,800	**1,800-6,000**	1,800-6,000
– Junior college program[2]	**18,800**	18,800	**1,800-6,000**	1,800-6,000
– On-campus adult college program	**8,000-16,800**	7,400-16,800	**1,800-2,000**	1,800-2,000
– Off-campus adult college program	**680-980**	680-980	**N/A**	N/A
Zhaoqing School				
– Secondary vocational education	**8,400-12,400**	8,000-12,400	**1,500**	1,380
Harbin Institute of Petroleum				
– Undergraduate program	**20,800-24,800**	19,800-21,800	**1,500-4,000**	1,500
– Off-campus adult college program	**1,400-2,000**	1,400-2,000	**N/A**	N/A
Huaibei Polytechnic College				
– Undergraduate program	**19,800**	N/A	**1,800**	N/A
Non-consolidated school operated under the Entrustment Agreement				
Maanshan College[3]				
– Undergraduate program	**18,800**	14,800-17,800	**2,000**	1,800

Notes:

(1) Tuition fees and boarding fees shown above only apply to newly enrolled students in the relevant school years.

(2) The tuition fees range excluded the "2+2" undergraduate program and junior college program offered by Guangdong Polytechnic College, which was generally charged higher than the ordinary program.

(3) The Group entered into the Entrustment Agreement with Maanshan College in July 2021. The acquisition of Maanshan College by the Group is still pending for the approval from Ministry of Education and registration with the provincial civil affairs authorities. Therefore, Maanshan College was not a consolidated subsidiary of the Group as of 31 August 2021.

Student enrollment

The following table sets out information relating to the student enrollment for the schools of the Group as at the date indicated:

	Numbers of Students Enrolled as of 31 August		Change	Percentage Change
	2021	2020		(%)
Consolidated schools				
Guangdong Polytechnic College				
– Undergraduate program	**29,047**	23,823	5,224	+21.9
– Junior college program	**6,287**	6,833	(546)	(8.0)
– On-campus adult college program	**6,794**	4,783	2,011	+42.0
– Off-campus adult college program	**43,400**	28,877	14,523	+50.3
Subtotal	**85,528**	64,316	21,212	+33.0
Zhaoqing School				
– Secondary vocational program	**8,504**	7,609	895	+11.8
Harbin Institute of Petroleum				
– Undergraduate program	**9,726**	9,366	360	+3.8
– Off-campus adult college program	**938**	N/A	938	N/A
Subtotal	**10,664**	9,366	1,298	+13.9
Total	**104,696**	81,291	23,405	+28.8

The student enrollment information was based on the records as of 31 August 2021. As of 31 August 2021, the total number of enrolled students of the Group was 104,696, representing an increase of 28.8% from the enrolled students as of 31 August 2020.

Benefited from the national favorable policies for vocational education and the strong demand from students on quality education, as well as further expansion of the school network of the Group, the student enrollment of the Group has increased significantly to 123,010 students for the 2021/2022 academic year, further improving the capability of the Group in serving the vocational education of China. For more details, please refer to the Company's announcement dated 18 October 2021.

School Utilisation

School utilisation rate is calculated by boarding student enrollment for a particular school year divided by school capacity for such school year. The school capacity is calculated by the number of beds available in student dormitories.

	School Capacity As of 31 August		School Utilisation Rate As of 31 August	
	2021	2020	**2021**	2020
Consolidated schools				
Guangdong Polytechnic College	**34,386**	34,386	**94.5%**	77.3%
Zhaoqing School	**8,116**	8,116	**93.2%**	83.2%
Harbin Institute of Petroleum	**9,800**	9,440	**99.2%**	99.2%
Total	**52,302**	51,942	**95.2%**	82.2%

In order to meet the strong increase of organic growth, the Group will increase the capacity of Gaoyao campus of Guangdong Polytechnic College by around 3,000 students in the 2021/2022 school year.

Risk Management

The Group is exposed to various risks in the operations of its business and the Group believes that risk management is important to its success. Key operational risks faced by the Group include, among others, changes in general market conditions and perceptions of private higher education, changes in the regulatory environment in the PRC education industry, the ability of the Group to offer quality education to students, the ability of the Group to increase student enrollment and/or raise tuition rates, the potential expansion of the Group into other regions in China, availability of financing to fund the Group's expansion and business operations and competition from other school operators that offer similar quality of education and are of similar scale.

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

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its bank and other borrowings with floating interest rates.

It is the Group's policy to keep certain bank and other borrowings at fixed rates of interest so as to minimise the interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the Board will consider hedging significant interest rate risk should the need arise.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flow from operation, bank and other borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

To properly manage these risks, the Group has established the following risk management structures and measures:

- the Board is responsible and has the general power to manage the Group's operations of the schools, and is in charge of managing the overall risks of the Group. It is responsible for considering, reviewing and approving any significant business decisions involving material risk exposures, such as the Group's decisions to expand its school network into new geographic areas, to raise the tuition fees of the PRC Schools, and to enter into cooperative business relationships with independent third parties to establish new schools;
- the Group maintains insurance coverage, which it believes is in line with customary practice in the PRC education industry, including school liability insurance; and
- the Group has made arrangements with its lenders to ensure that it will be able to obtain credit to support its business operation and expansion.

Environment, Health and Safety

The Group is dedicated to protecting the health and safety of the students. The Group has on-site medical staff or healthcare personnel at each of the PRC Schools to handle routine medical situations involving students. In certain serious and emergency medical situations, the Group promptly sends the students to local hospitals for treatment. In the meanwhile, the Group has adopted a series of strict preventive measures in response to the COVID-19 epidemic to safeguard the health of teachers and students, including strengthening disinfection and cleaning of campuses in time. With respect to school safety, the Group engaged a qualified property management company to provide property security services at the Group's school premises.

As far as the Board and the management of the Company are aware, the Group has complied in all material respects with the relevant environmental, health and safety laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Future Plans

In strengthening the Group's position as a leading provider of private higher education focusing on profession-oriented and vocational education, the Group plans to pursue the following business strategies:

(i) Collaborating with industry leading enterprises to establish industrial colleges

The Policy encourages the vocational schools and industry leading enterprises to jointly develop and manage the industrial colleges. The local government will also introduce preferential measures such as "finance + governmental funding + land + credit" to social capital, encouraging it to cooperate with vocational schools to build vocational education infrastructure. The Group will leverage its extensive school-enterprise relationships in Pearl River Delta and Yangze River Delta regions to develop more industrial colleges in the schools operated by the Group and cultivate more high-quality technical and skilled talents to meet the needs of regional economy. In addition, the Group will actively promote school-enterprise cooperation and industry-education integration to enable the close connection between major settings and industry needs.

(ii) Penetrating into the vocational education school network under asset-light model

The Policy encourages listed companies, industry leading enterprises and other social capitals to actively participate in and operate vocational education. The Group sees a huge market opportunity and great market demands for high-quality school operators in the vocational education. Our teams are actively seeking opportunities to cooperate with vocational schools which are weak operation or management capabilities and lack of employment resources. The Group plans to penetrate into these vocational schools under asset-light model and adopt measures such as cooperation and trusteeship to build a group of excellent vocational schools and high-quality majors, and focus on the delivery of talents with a solid foundation of technical skills and a qualified cultural foundation. With more than 20 years of outstanding experience in operating higher education institutions in China, the Group will help these vocational schools to improve teaching quality, talent training system, employment resources and thus contribute to the development of high-quality modern vocational education system and a skill-based society.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, the Company does not have other future plans for material investments or capital assets.

USE OF PROCEEDS FROM THE LISTING

The Company issued 354,132,000 new shares (after exercising the over-allotment option in February 2019) with par value of USD0.00001 at the issue price of HK$2.48 per share in connection with the listing of the Company (the "Listing"). The net proceeds after deducting underwriting commission and issuing expenses incurred from the Listing were approximately HK$792.3 million (equivalent to approximately RMB686.8 million).

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

Purpose	Percentage to total amount	Net proceeds	Utilised amount (at 31 August 2021)	Unutilised amount (at 31 August 2021)	Expected timeline for utilizing the unutilized net proceeds
		RMB (million)	RMB (million)	RMB (million)	
Acquire additional schools	44.9%	308.4	308.4	–	N/A
Expand the existing schools owned or operated by the Group	37.6%	258.2	258.2	–	N/A
Repay loans from third-party financial institutions	7.5%	51.5	51.5	–	N/A
Fund the working capital and general corporate purposes	10.0%	68.7	68.7	–	N/A
Total	100.0%	686.8	686.8	–	

The net proceeds from the Listing have been fully utilised in accordance with the purposes set out in the prospectus of the Company dated 15 January 2019 (the "Prospectus").

FINANCIAL REVIEW

Revenue

Revenue represents the value of services rendered during the Reporting Period. The Group mainly derives revenue from tuition fees and boarding fees its schools collect from students.

Revenue for the eight months ended 31 August 2021 was RMB671.3 million. The pro forma revenue increase RMB345.8 million, or 44.7%, from RMB773.9 million for the year ended 31 August 2020 to RMB1,119.6 million for the year ended 31 August 2021. This increase was primarily the result of: (i) revenue from tuition fees increased by RMB298.8 million, or 40.6%, from RMB735.4 million for the year ended 31 August 2020 to RMB1,034.2 million for the year ended 31 August 2021; and (ii) revenue from boarding fees increased by RMB42.8 million, or 144.7%, from RMB29.6 million for the year ended 31 August 2020 to RMB72.4 million for the year ended 31 August 2021.

The tuition fees increased mainly because: (i) the increase in the number of student enrollments and average tuition fees of Guangdong Polytechnic College and Zhaoqing School; and (ii) the consolidation of the financial results of Harbin Institute of Petroleum acquired by the Group since April 2021. The boarding fees increased significantly mainly because the students did not return to the campus in the first half of 2020 due to the impact of COVID-19 pandemic and the PRC Schools refunded the boarding fees of RMB26 million to the students for the year ended 31 August 2020 and the increase in the student enrollments and average boarding fees in 2020/2021 school year.

Cost of Sales

Cost of sales consists primarily of staff costs, depreciation and amortisation, utilities, teaching supplies, cost of cooperative education, student study and practice fees, office expenses, training expenses, student subsidies, travel and transportation expenses, cost of repairs, property management fees and others.

Cost of sales was RMB247.0 million for the eight months ended 31 August 2021. The pro forma cost of sales increased by 37.1% from RMB255.7 million for the year ended 31 August 2020 to RMB350.6 million for the year ended 31 August 2021. This increase was primarily the result of: (i) increase in staff costs primarily as a result of the increase in the number of teachers and increased salaries and benefits to the Group's teachers; and (ii) the consolidation of the financial results of Harbin Institute of Petroleum acquired by the Group since April 2021.

Gross Profit

The Group's gross profit was RMB424.3 million for the eight months ended 31 August 2021. The pro forma gross profit increased by 48.4% from RMB518.2 million for the year ended 31 August 2020 to RMB769.1 million for the year ended 31 August 2021, which was consistent with the growth of the Group's business.

Other Income and Gains

Other income and gains primarily consist of government grants, interest income from bank deposits, remeasurement gain of the previously held equity interest in an associate, rental income from lease in campus properties and venues to independent third parties, management service income, dividend income and gains relating to change in fair value of financial asset. The Group's other income and gains were RMB45.5 million for the eight months ended 31 August 2021. The pro forma other income and gains increased by 0.2% from RMB98.9 million for the year ended 31 August 2020 to RMB99.1 million for the year ended 31 August 2021. The increase was primarily attributable to (i) the increase of RMB12.4 million in remeasurement gain of the previously held equity interests in an associate in relation to the acquisition of further interest in Huaibei Kepei; (ii) the increases of RMB7.3 million in rental income from lease of campus properties and venues to independent third parties; (iii) the decrease of RMB13.0 million in the management service income from Harbin Institute of Petroleum because the Group did not recognize the management service income after consolidating the financial results of the school since April 2021; and (iv) the decrease of RMB14.6 million in gains relating to change in fair value of financial asset.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of advertising expenses, student admission expenses and business entertainment expenses. The Group's selling and distribution expenses were RMB23.5 million for the eight months ended 31 August 2021. The pro forma selling and distribution expenses increased by 19.1% from RMB21.3 million for the year ended 31 August 2020 to RMB25.3 million for the year ended 31 August 2021. The selling and distribution expenses of the Group account for approximately 2% of the total revenue, which is generally consistent with historical levels and this increase was primarily due to the consolidation of Harbin Institute of Petroleum since April 2021.

Administrative Expenses

Administrative expenses primarily consist of the administrative staff salaries, share-based payment expenses under restricted share award scheme, office-related expenses, depreciation and amortisation of office buildings, equipment and right of use assets, audit fee, travel expenses and others. The Group's administrative expenses were RMB100.2 million for the eight months ended 31 August 2021. The pro forma administrative expenses increased by 58.2% from RMB93.2 million for the year ended 31 August 2020 to RMB147.4 million for the year ended 31 August 2021. This increase was primarily due to the increase of share-based payment expenses of RMB46.9 million due to the adoption of the restricted share award scheme since August 2020.

Other Expenses

Other expenses primarily consist of expenses relating to exchange loss and other costs. The Group's other expenses were RMB1.4 million for the eight months ended 31 August 2021. The pro forma other expenses increased by 77.2% from RMB12.7 million for the year ended 31 August 2020 to RMB22.5 million for the year ended 31 August 2021. This increase was primarily due to the increase of exchange loss of RMB9.7 million resulting from the appreciation of RMB against USD in relation to the Group's deposits denominated in USD.

Finance Costs

Finance costs primarily consist of the interest expenses for the interest-bearing bank and other borrowings and lease liabilities. The Group's finance costs were RMB29.2 million for the eight months ended 31 August 2021. The pro forma finance costs increased by 430.7% from RMB6.2 million for the year ended 31 August 2020 to RMB33.0 million for the year ended 31 August 2021, which was mainly due to the increased average interest-bearing bank and other borrowings in response to the establishment of the new campus of Huaibei Polytechnic College and the consideration paid in relation to the acquisition of Harbin Institute of Petroleum.

Core Net Profit

Core net profit was derived from the profit for the period/year after adjusting the expenses related to the share-based payments under restricted share award scheme, remeasurement gain of the previously held equity interests in an associate, additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets and foreign exchange gain or expenses, which are not indicatives of the Group's operational performance. This is not a Hong Kong Financial Reporting Standards ("HKFRSs") measure. The Group presents this item because the Group considers it an important supplemental measure of the Group's operational performance used by the Group's management as well as analysts or investors. The following table reconciles from profit for the period/year to core net profit for both financial period/year:

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
Profit for the period/year	**272,152**	564,790
Add:		
Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets	**5,493**	–
Share-based payments under the restricted share award scheme	**32,268**	19,048
Foreign exchange loss	**1,218**	24,216
Remeasurement loss of the previously held equity interest in a joint venture	**142**	–
Less:		
Remeasurement gain of the previously held equity interests in an associate	**12,433**	–
Core net profit for the period/year	**298,840**	608,054

To provide meaningful comparative information of core net profit of the Group for the 2020/2021 and 2019/2020 school year, the Group prepared pro forma amounts of core net profit covering the twelve-month period ended 31 August 2021 and 31 August 2020, and such pro forma amounts are detailed in the following table and have not been audited.

	Year ended 31 August			
	2021 (Pro forma) RMB'000	2020 (Pro forma) RMB'000	**Change** RMB'000	**Percentage Change** (%)
Profit for the year	**592,938**	484,691	108,247	+22.3
Add:				
Additional depreciation and amortisation due to the fair value adjustments to the acquired identifiable assets	**5,493**	–	5,493	N/A
Share-based payments under the restricted share award scheme	**49,108**	2,208	46,900	>100.0
Foreign exchange loss	**22,297**	12,576	9,721	+77.3
Remeasurement loss of the previously held equity interest in a joint venture	**142**	–	142	N/A
Less:				
Remeasurement gain of the previously held equity interests in an associate	**12,433**	–	12,433	N/A
Core net profit for the year	**657,545**	499,475	158,070	+31.6

The Group's core net profit was RMB298.8 million for the eight months ended 31 August 2021. The pro forma core net profit increased by 31.6% from RMB499.5 million for the year ended 31 August 2020 to RMB657.5 million for the year ended 31 August 2021.

Capital Expenditure

Capital expenditures during the Reporting Period primarily related to the establishment of new school premises, maintaining and upgrading existing school premises and purchasing additional educational facilities and equipment for the PRC Schools. For the eight months ended 31 August 2021, the Group's capital expenditures were RMB305.6 million.

Liquidity and Financial Resources

The Group's primary uses cash to fund its working capital requirements, purchase of property, plant and equipment and loan repayment and related interest expenses. As at the date of this report, the Group has funded its operations principally with the cash generated from its operations, bank and other borrowings and net proceeds from the Listing. In the future, the Group believes that its liquidity requirements will be satisfied with a combination of cash flows generated from its operating activities, bank loans, other borrowings and other funds raised from the capital markets from time to time. As of 31 August 2021, the Group had cash and cash equivalents of RMB1,228.7 million.

The balance of interest-bearing bank and other borrowings as at 31 August 2021 was RMB1,456.1 million. The interest-bearing bank and other borrowings of RMB810.8 million are repayable within a year. The Group had adequate liquidity to meet its daily management and capital expenditure requirements and control internal operating cash flows.

Capital Structure

The Group's financial department is responsible for the Group's financial risk management which operates according to policies implemented and approved by the senior management. As at 31 August 2021, all the interest-bearing bank and other borrowings were denominated in RMB, while cash and cash equivalents were primarily held in RMB, Hong Kong dollar ("HKD") and USD. The Group plans to maintain an appropriate mix of financial equity and debt to ensure an efficient capital structure. The outstanding balances of interest-bearing bank and other borrowings as at 31 August 2021 were at fixed interest rate for loans denominated in RMB.

Significant Investments, Acquisitions and Disposals

Save as disclosed in this report, there were no significant investments held by the Company as at 31 August 2021, nor other material acquisitions and disposals of subsidiaries, associated companies or joint ventures by the Company.

Gearing Ratio

The gearing ratio of the Group, which was calculated as total interest-bearing bank and other borrowings divided by total equity as at the end of the relevant financial period/year, increased from approximately 16.6% as at 31 December 2020 to 44.9% as at 31 August 2021, primarily due to the increase in the Group's total interest-bearing bank and other borrowings.

Foreign Exchange Risk Management

The functional currency of the Company is RMB. The majority of the Group's revenue and expenditures are denominated in RMB. As at 31 August 2021, certain bank balances were denominated in HKD and USD. During the eight months ended 31 August 2021, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The Directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt practical and effective measures to prevent exposure to exchange rate risk. As a result, the Group did not enter into any financial instrument for hedging purposes.

Contingent Liabilities

As at 31 August 2021, the Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened (as at 31 December 2020: nil).

Pledge of Assets

As at 31 August 2021, certain of the Group's furniture and fixtures, and electronic devices with a net carrying value of RMB128.6 million (as at 31 December 2020: RMB156.2 million) and time deposits amounting to RMB50.0 million (as at 31 December 2020: nil) were pledged to secure certain of the Group's other borrowings.

Human Resources

As at 31 August 2021, the Group had 3,413 employees (as at 31 December 2020: 2,751 employees).

The remuneration policy and package of the Group's employees are periodically reviewed in accordance with industry practice and result performance of the Group. The Group provides external and internal training programs to its employees. The Group participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, occupational injury insurance, maternity insurance and unemployment insurance.

The total remuneration cost incurred by the Group for the eight months ended 31 August 2021 was RMB180.0 million (for the year ended 31 December 2020: RMB169.8 million).

EVENTS AFTER THE REPORTING PERIOD

The Group had no significant event after the Reporting Period required to be disclosed.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Ye Nianqiao (葉念喬), aged 58, is the founder of the Group. He has been an executive Director, the chairman of the Board and the general manager of the Company since its establishment in August 2017, and the chief executive officer of our Company since 26 November 2017. He is primarily responsible for the overall management, strategic planning, business development and cooperation of our Group. Mr. Ye has over 37 years of experience in the education industry.

From September 1984 to July 1992, he served as a teacher at No. 2 Middle School of Jiujiang County, Jiangxi Province (江西省九江縣第二中學) (which was renamed as No. 2 Middle School of Chaisang District, Jiujiang City, Jiangxi Province (江西省九江市柴桑區第二中學) in October 2017). From June 1992 to July 1995, he served as a teacher at Zhaoqing Gaoyao Normal School of Guangdong Province (廣東省肇慶市高要師範學校). From July 1995 to May 2000, Mr. Ye served as the chairman of the board of Zhaoqing Technology Training School (肇慶科技培訓學校). Mr. Ye founded Zhaoqing School (formerly known as Zhaoqing Technology School (肇慶科技學校)) and served as the chairman of its board from May 2000 to July 2010. Mr. Ye founded Guangdong Polytechnic College (formerly known as Zhaoqing Technology Vocational Technical College (肇慶科技職業技術學院)) and has been serving as the chairman of its board since May 2004. Since September 2016, he has also been the chairman of the board of Zhaoqing Kepei.

Mr. Ye obtained his bachelor's degree in Mathematics from Jiangxi Normal University (江西師範大學) in March 1987. He graduated with a master's degree in Business Management from Sun Yat-Sen University (中山大學) in December 2008. Mr. Ye is a member of the Standing Committee of Guangdong Province of the China Democratic League (中國民主同盟). He was also a committee member of the 11th Chinese People's Political Consultative Conference of Zhaoqing City (中國人民政治協商會議肇慶市第十一屆委員會).

Mr. Ye is the father of Mr. Ye Xun, one of the Directors, and the brother of Mr. Ye Nianjiu, one of the senior management of the Company.

Directors and Senior Management

Dr. Zhang Xiangwei (張湘偉), aged 71, has been an executive Director and the chief operating officer of the Company since 26 November 2017. He is primarily responsible for the daily management and overall operations of the Group. He has over 34 years of experience in the education industry.

From December 1987 to January 1997, Dr. Zhang successively held various positions at Chongqing University (重慶大學), including an associate professor of Mechanical Engineering, professor of Mechanical Engineering, head of the faculty of Mechanics, director of the Scientific Technology Research Office (科學技術研究處), vice principal and doctoral tutor. From February 1997 to May 2001, Dr. Zhang served as the principal at Shantou University (汕頭大學). From June 2001 to November 2010, Dr. Zhang served as the principal of Guangdong University of Technology (廣東工業大學). Dr. Zhang has held various positions at Guangdong Polytechnic College (formerly known as Zhaoqing Technology Vocational Technical College (肇慶科技職業技術學院)), including the acting dean from November 2010 to September 2013, a director since December 2011, the dean since September 2013 and the vice chairman of the board since September 2016.

Dr. Zhang obtained his doctor's degree in Engineering from the University of Tokyo in March 1987.

Mr. Zha Donghui (查東輝), aged 53, has been an executive Director and the deputy general manager of the Company since its establishment. He is primarily responsible for the designing, planning, development and construction of buildings and infrastructure of the Group. Mr. Zha has over 24 years of experience in the education industry.

From September 1996 to August 2001, Mr. Zha served as the vice principal of Zhaoqing Technology Training School (肇慶科技培訓學校). From September 2001 to August 2004, he served as the vice president of Zhaoqing School (formerly known as Zhaoqing Technology College (肇慶科技學校)). From June 2005 to September 2016, Mr. Zha was a director of Zhaoqing School. Since September 2004, Mr. Zha has been serving as a director and an associate dean of Guangdong Polytechnic College (formerly known as Zhaoqing Technology Vocational Technical College (肇慶科技職業技術學院)), and has been primarily responsible for management of infrastructure and equipment of Guangdong Polytechnic College.

Mr. Zha obtained his master's degree in Computer Science from Guangzhou University of Technology in June 2009.

Ms. Li Yan (李艷), aged 41, has been an executive Director and the deputy general manager of the Company since its establishment and the chief financial officer of the Company since 26 November 2017. She is primarily responsible for the financial management and budget of the Group. Ms. Li has over 16 years of experience in the education industry.

From September 2004 to May 2014, Ms. Li held various positions at Guangdong Polytechnic College (formerly known as Zhaoqing Technology Vocational Technical College (肇慶科技職業技術學院)), including an accounting teacher, the deputy head of the Department of Accounting, and the secretary to the Party General Branch (黨總支書記) of the Department of Accounting, and was mainly responsible for teaching activities, student management, student admission and graduate employment. Ms. Li has been appointed as the head of the Department of Accounting of Guangdong Polytechnic College since June 2014, a director of Guangdong Polytechnic College since November 2015, and a member of the College Party Committee (黨委委員) of Guangdong Polytechnic College since March 2017. Ms. Li has been appointed as a director and the financial manager of Zhaoqing Kepei since September 2016, and has been responsible for its financial management and budget.

Ms. Li obtained her master's degree in Accounting from Sun Yat-Sen University (中山大學) in June 2011 and obtained the qualification of associate professor of accounting issued by Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳) in December 2014.

Mr. Ye Xun (葉潯), aged 32, has been an executive Director and the deputy general manager of the Company since its establishment. He is primarily responsible for the day-to-day procurement and logistic services and operations of the Group.

From September 2011 to July 2012, Mr. Ye Xun served as an assistant to the dean of Guangdong Polytechnic College (formerly known as Zhaoqing Technology Vocational Technical College (肇慶科技職業技術學院)). Since October 2016, he has been a director and the head of procurement and logistic services of Guangdong Polytechnic College.

Mr. Ye Xun obtained his master's degree in Business Administration from Northwestern Polytechnic University in April 2015.

Mr. Ye Xun is the son of Mr. Ye Nianqiao, one of the Directors.

Directors and Senior Management

Non-executive Director

Mr. Wang Chuanwu (王傳武), aged 75, has been a non-executive Director of the Company since its establishment in August 2017. He is primarily responsible for providing advice on our strategic development and risk management of the Group. Mr. Wang has over 35 years of experience in the education industry.

From February 1986 to July 1991, Mr. Wang served as the deputy principal and the principal of Zhaoqing No. 5 Middle School of Guangdong Province (廣東省肇慶市第五中學). From August 1991 to November 2000, he held various positions at the Education Bureau of Duanzhou District, Zhaoqing City (肇慶市端州區教育局), including the deputy director (副局長) from August 1991 to December 1997, the director (局長) from December 1997 to November 2000 and the secretary to the Party Group (黨組書記) from October 1998 to November 2000, and was primarily responsible for the education system of Duanzhou District. From December 2000 to August 2001, Mr. Wang served as a consultant of Zhaoqing Technology Training School (肇慶科技培訓學校). From September 2001 to August 2004, Mr. Wang served as a consultant of Zhaoqing School (formerly known as Zhaoqing Technology School (肇慶科技學校)). From September 2004 to September 2016, he served as a director and the vice chairman of the board of Guangdong Polytechnic College (formerly known as Zhaoqing Technology Vocational Technical College (肇慶科技職業技術學院)). Since September 2016, he has been serving as a consultant of Guangdong Polytechnic College.

Mr. Wang obtained his bachelor's degree in Politics Education from South China Normal University (華南師範大學) in July 1985.

Independent Non-executive Directors

Dr. Xu Ming (徐明), aged 50, has been an independent non-executive Director of the Company since 26 November 2017 and is primarily responsible for providing independent opinion and judgment to the Board. Dr. Xu has over 23 years of experience in business management.

From January 2002 to April 2010, Dr. Xu served as the manager of the finance department, the chief financial officer and a director of Chuancai Securities Brokerage Company Limited (川財證券經紀有限公司), and was responsible for the Company's operation and financial management. Mr. Xu Ming joined Chengdu Fangyu Industrial Investment Management Company Limited (成都方輿產業投資管理有限公司) in December 2011 and served as an executive director from November 2013 to September 2014, responsible for the operation and strategy development of the company. From August 2015 to November 2018, Dr. Xu served as an executive director and the chief executive officer of Virscend Education Company Limited, a company listed on The Stock Exchange Hong Kong Limited (the "Stock Exchange") (Stock Code: 1565). From February 2016 to November 2020, Dr. Xu served as an external director of Sichuan Agricultural Credit Guarantee Company Limited (四川省農業信貸擔保有限公司).

Dr. Xu obtained his doctor's degree in Economics from Sichuan University in China in June 2009. In August 1997, Dr. Xu was qualified as a Certified Public Accountant by the Certified Public Accountants Committee of the Ministry of Finance of the PRC. In June 1998, he was qualified as a Certified Public Valuer by the Ministry of Finance of the PRC. In February 1999, he was qualified as a Certified Tax Adviser by the State Administration of Taxation of the PRC. In December 2003, he was qualified as a Senior Accountant by the Chengdu Competency Reform Working Group. He is also a member of the Second Session of Financial Accounting Committee of the Securities Association of China.

Dr. Deng Feiqi (鄧飛其), aged 60, has been an independent non-executive Director of the Company since 26 November 2017 and is primarily responsible for providing independent opinion and judgment to the Board.

From September 1991 to July 1995, Dr. Deng served as a secretary of foundation education division (基礎部教學秘書) at the Northeast Heavy Machinery Institute (東北重型機械學院). Dr. Deng has held various positions at South China University of Technology (華南理工大學), including a professor since May 2000 and a doctoral tutor since December 2000. From March 2000 to November 2000, he served as a research associate at the Chinese University of Hong Kong. From January 2008 to January 2013, he served as the dean of Industrial Technology Institute at South China University of Technology (華南理工大學工業研究總院).

Dr. Deng was a member of the Control Systems Simulation Committee of China Systems Simulation Federation (中國系統仿真學會控制系統仿真專業委員會委員) from June 1998 to May 2003. He was a member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference Standing Committee (中國人民政治協商會議廣東省委員會常委) from January 2008 to January 2013. He was also a member of the Technical Committee on Control Theory (TCCT) under Chinese Association of Automation (中國自動化學會控制理論專業委員會委員) from January 2013 to December 2017.

Dr. Deng has been a member of the editorial committee of publications including Theory and Application of Control (控制理論與應用) since May 2008, Journal of Systems Engineering (系統工程學報) since August 2011, Systems and Controls (系統與控制縱橫) since January 2014 and Systems Engineering and Electronics (系統工程與電子技術) since April 2016. He has been the associate editor of IEEE Access since February 2018. Dr. Deng has published more than 300 papers in academic publications, including IEEE Transactions on Automatic Control, IEEE Transactions on Circuits and Systems as well as IEEE Transactions on Systems.

Dr. Deng obtained his bachelor's degree in Science from the Department of Applied Mathematics of Hunan University in July 1983. He obtained his doctor's degree in Engineering from the Department of Control Theory and Application of South China University of Technology in July 1997.

Mr. Lu Chao (陸超), aged 37, currently serves as the chief financial officer of RLX Technology Inc. (NYSE: RLX), a leading consumer product company in China. Mr. Lu has over 13 years' experience in capital markets and investments. Prior to joining RLX Technology Inc., Mr. Lu served as the managing director and the head of Asia healthcare investment banking at Citigroup Global Markets Asia Limited ("Citigroup") from December 2013 to March 2021. During his tenure at Citigroup, Mr. Lu was responsible for healthcare client coverage across the Asia Pacific region and led many landmark healthcare and biopharma transactions. In addition, he was also responsible for education and other selective consumer client coverage. Prior to joining Citigroup, Mr. Lu worked as an associate at China International Capital Corporation Hong Kong Securities Limited from June 2011 to December 2013. He also worked as an analyst at AIF Capital Limited from October 2009 to June 2011 and as an analyst at Morgan Stanley Asia Limited from July 2008 to October 2009. Mr. Lu received a bachelor's degree in operations research and financial engineering from Princeton University in June 2008.

SENIOR MANAGEMENT

For the biographies of Mr. Ye Nianqiao (葉念喬), Dr. Zhang Xiangwei (張湘偉), Mr. Ye Xun (葉潯), Ms. Li Yan (李艷) and Mr. Zha Donghui (查東輝), please refer to "Directors and Senior Management – Executive Directors" in this annual report.

Mr. Ye Nianjiu (葉念廄) (formerly known as Mr. Wang Ganwei (王贛偉)), aged 48, has been the chairman of the board of Zhaoqing School since July 2010, and the dean of Zhaoqing School since September 2016, a director of Guangdong Polytechnic College since June 2014, and a director of Zhaoqing Kepei since March 2000. He is primarily responsible for the day-to-day management of student affairs relating to student admission and graduate employment. Mr. Ye has over 26 years of experience in the education industry.

From July 1995 to June 2001, Mr. Ye Nianjiu served as the head of student admission and graduate employment of Zhaoqing Technology Training School (肇慶科技培訓學校) and was primarily responsible for student admission and graduate employment. From July 2001 to February 2004, he served as the head of student admission and graduate employment of Zhaoqing School (formerly known as Zhaoqing Technology School (肇慶科技學校)) and was primarily responsible for student admission and graduate employment. From March 2004 to May 2014, Mr. Ye Nianjiu served as the vice chairman of the board of Guangdong Polytechnic College (formerly known as Zhaoqing Technology Vocational Technical College (肇慶科技職業技術學院)). Since June 2014, he has also been serving as the dean of the College of Continuing Education, within Guangdong Polytechnic College and has been primarily responsible for student admission and graduate employment.

Mr. Ye Nianjiu obtained his junior college diploma in Computer Applications Technology from Guangdong Polytechnic College in January 2011 and obtained his undergraduate diploma in human resource management from Zhaoqing College (肇慶學院) in January 2015.

Mr. Ye Nianjiu is the brother of Mr. Ye Nianqiao, one of the Directors.

Report of Directors

The Board is pleased to present its report together with the audited consolidated financial statements of the Company and its subsidiaries for the eight months ended 31 August 2021.

GLOBAL OFFERING

The Company was incorporated on 24 August 2017 as an exempted company with limited liability under the laws of the Cayman Islands. The shares were listed on the Main Board of the Stock Exchange on 25 January 2019.

Use of Proceeds from the Listing

Net proceeds from the Listing were approximately HK$792.3 million, which, as disclosed in the Prospectus, will be used for (i) acquiring additional schools; (ii) expanding the existing schools the Group owns or operates; (iii) repaying loans from third-party financial institutions; and (iv) funding the working capital and general corporate purposes.

The net proceeds from the Listing have been fully utilised in accordance with the purposes set out in the Prospectus.

PRINCIPAL ACTIVITIES

The Group is a leading provider of private vocational education in China focusing on profession-oriented and vocational education. Analysis of the principal activities of the Group during the Reporting Period is set out in the note 1 to the consolidated financial statements.

RESULTS

The results of the Group for the eight months ended 31 August 2021 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on pages 103 to 104 of this annual report.

DIVIDEND POLICY

The Board has adopted a dividend policy (the "Dividend Policy") in compliance with code provision E.1.5 of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") with effect from 15 January 2019. Declaration and payment of dividends by the Company is also subject to compliance with applicable laws and regulations including the laws of the Cayman Islands and the articles of association of the Company (the "Articles of Association").

Under the Dividend Policy, the Company can declare interim dividends or special dividends from time to time in addition to the final dividends. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the financial results, cash flow situation, business conditions and strategies, future operations and earnings, the Group's expected capital requirements, the statutory fund reserve requirements, the retained earnings and distributable reserves of the Company and each of the members of the Group, and any other factors that the Board deems appropriate.

The Dividend Policy will continue to be reviewed and updated from time to time by the Board and the Dividend Policy shall in no way constitute a legally binding commitment by the Company that any dividend will be proposed or declared in any given period.

FINAL DIVIDENDS

The Board recommended the payment of a final dividend of HK$0.06 (for year ended 31 December 2020: HK$0.12) per share for the eight months ended 31 August 2021. The final dividend is subject to the approval of the shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting of the Company to be held on Friday, 25 February 2022 (the "AGM") and the proposed final dividend will be payable on or around Wednesday, 6 April 2022 to the Shareholders whose names appear on the register of members of the Company on Friday, 11 March 2022.

BUSINESS REVIEW

A review of the business of the Group during the Reporting Period and analysis by using financial key performance indicators, the compliance with laws and regulations and a discussion on the Group's future business development are contained in the section headed "Management Discussion and Analysis" on pages 9 to 30 of this annual report.

RISKS AND UNCERTAINTIES

The principal risks and uncertainties that may cause the Group's financial conditions or results materially different from the expected or historical results are set out in note 39 to the consolidated financial statements and in the section headed "Management Discussion and Analysis" on pages 9 to 30 of this annual report.

FINANCIAL SUMMARY

A summary of the Group's key financial performance for the last five financial years ended 31 December and the eight months ended 31 August 2021 are set out in the section headed "Key Items of Financial Position and Cash Flows" on page 6 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the eight months ended 31 August 2021, the Group's customers primarily consist of the Group's students. The Group did not have any single customer who accounted for more than 5% of the Group's revenue and none of our students was regarded as our largest customer during the Reporting Period.

Major Suppliers

For the eight months ended 31 August 2021, the Group's five largest suppliers accounted for 51.8% (for the year ended 31 December 2020: 25.9%) of the Group's total purchases and our single largest supplier accounted for 16.5% (for the year ended 31 December 2020: 14.3%) of the Group's total purchases.

As at the date of this annual report, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares) had any interest in the Group's five largest customers and suppliers.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group understands the importance of maintaining a good relationship with its employees, suppliers and customers to meet its immediate and long-term goals. The Group maintains a good relationship with employees, suppliers and customers. During the Reporting Period, the Group strived to satisfy both the students and their parents by continuing to provide better education services. The Group also maintained ongoing communication with suppliers to shorten the delivering cycle and to obtain better payment terms. There was no material and significant dispute between the Group and its employees, suppliers and/or customers during the Reporting Period.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 28 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group and the Company during the Reporting Period are set out in the consolidated statement of changes in equity on pages 107 to 108 and in the summary of the Company's reserve on page 208 of this annual report respectively, of which, the reserves available for distribution to Shareholders as at 31 August 2021 are set out in note 30 to the consolidated financial statements.

INTEREST-BEARING BANK AND OTHER BORROWINGS

Particulars of interest-bearing bank and other borrowings of the Group as at 31 August 2021 are set out in note 25 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to improving environmental sustainability and will closely monitor the performance. Incorporating the sustainable development concept of creating a green campus and a green environment into educational courses and extracurricular activities to enable students to develop habits with the concept of environmental protection and green development, is essential to the green sustainable development of our schools and the society. The Group has been in strict compliance with the Environmental Protection Law of the PRC, the Pollution Prevention and Control Law of the PRC, the Water Pollution Prevention and Control Law of the PRC, the Environmental Noise Pollution Prevention and Control Law, the Solid Waste Pollution Prevention and Control Law of the PRC and the Energy Conservation Law of the PRC. The Group strictly controls the generation and emission of air pollutants and waste to ensure that the operation and management of schools will not violate the relevant environmental laws and regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report of the Company will be issued in due course in accordance with Appendix 27 of the Listing Rules.

DIRECTORS

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

Executive Directors

Mr. Ye Nianqiao *(Chairman and Chief Executive Officer)*
Dr. Zhang Xiangwei
Mr. Zha Donghui
Ms. Li Yan
Mr. Ye Xun

Non-executive Director

Mr. Wang Chuanwu

Independent Non-executive Directors

Dr. Xu Ming
Dr. Deng Feiqi
Dr. Li Xiaolu *(resigned on 2 August 2021)*
Mr. Lu Chao *(appointed on 2 August 2021)*

In accordance with articles 16.3 and 16.19 of the Articles of Association, the Directors being Mr. Ye Nianqiao, Mr. Ye Xun, Dr. Xu Ming and Mr. Lu Chao shall retire by rotation and being eligible, have offered themselves for re-election as Directors at the forthcoming AGM.

Details of the Directors to be re-elected at the forthcoming AGM are set out in the circular to the Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out on pages 31 to 36 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the eight months ended 31 August 2021.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transaction" and otherwise disclosed in this annual report, no Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the eight months ended 31 August 2021.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transaction" and otherwise disclosed in this annual report, no contract of significance to which the Company or any of its subsidiaries was a party and in which the controlling Shareholders of the Company or an entity connected with the controlling Shareholders had a material interest, either directly or indirectly, subsisted during the eight months ended 31 August 2021.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the eight months ended 31 August 2021.

EMOLUMENT POLICY

A Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices. In addition, the Company has adopted a share option scheme and restricted share award scheme as an incentive to Directors, senior management and employees for their contribution to the Group and to attract and retain key personnel. Details of the two schemes are set out on pages 48 to 53 of this annual report and note 29 to the consolidated financial statements.

Details of the emoluments of the Directors, and five highest paid employees during the Reporting Period are set out in notes 8 and 9 to the consolidated financial statements.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 2.4 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

Except for Mr. Lu Chao, each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract with us for an initial fixed term of three years commencing from 26 April 2018 and will automatically continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Mr. Lu Chao, being the independent non-executive Director of the Company, has entered into a service contract with the Company for a term of three years with effect from the date of appointment and will automatically continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

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

DIRECTORS' INTEREST IN COMPETING BUSINESS

Save as disclosed in this annual report, during the eight months ended 31 August 2021, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

CHANGES TO DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out below during the Reporting Period and up to the date of this annual report:

(i) Dr. Li Xiaolu has resigned as an independent non-executive Director, a member of the remuneration committee of the Company (the "Remuneration Committee") and a member of the nomination committee of the Company (the "Nomination Committee") due to his decision to devote more time to his other commitments with effect from 2 August 2021.

(ii) Mr. Lu Chao has been appointed as an independent non-executive Director, a member of the Remuneration Committee and a member of the Nomination Committee with effect from 2 August 2021.

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

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

As at 31 August 2021, the interests and short positions of the Directors and the chief executive 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 Securities and Futures Ordinance (Cap 571) (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Name of Director or chief executive	Capacity/ Nature of Interest	Number of Shares[2]	Number of Underlying Shares[3]	Approximate Percentage of Shareholding in the Company[1]
Ye Nianqiao	Founder of a discretionary trust[4]	675,280,000(L)	–	33.51%
	Interest of spouse[5]	375,000,000(L)	–	18.61%
Ye Xun	Founder of a discretionary trust[6]	300,000,000(L)	–	14.89%
	Beneficial owner	280,000(L)	420,000(L)	0.03%
Ye Nianjiu	Founder of a discretionary trust[7]	150,000,000(L)	–	7.44%
	Beneficial owner	320,000(L)	480,000(L)	0.04%
Zhang Xiangwei	Beneficial owner	800,000(L)	1,200,000(L)	0.10%
Zha Donghui	Beneficial owner	480,000(L)	720,000(L)	0.06%
Li Yan	Beneficial owner	400,000(L)	600,000(L)	0.05%
Wang Chuanwu	Beneficial owner	320,000(L)	480,000(L)	0.04%
Xu Ming	Beneficial owner	160,000(L)	240,000(L)	0.02%

Notes:

1. As at 31 August 2021, the total number of issued shares is 2,015,248,667 shares.

2. The letter "L" denoted the person's long position in the shares.

3. Interests in restricted shares granted pursuant to the restricted share award scheme.

4. Qiaoge Company Limited is wholly-owned by Ye Liya Limited, which is in turn wholly-owned by a trust, the trustee of which is Cantrust (Far East) Limited. The trust is a discretionary trust set up by Mr. Ye Nianqiao as founder who can influence how the trustee exercises his discretion. Qiaoge Company Limited is accustomed to act in accordance with the directions of Mr. Ye Nianqiao. By virtue of Part XV of the SFO, Mr. Ye Nianqiao is deemed to be interested in the shares held by Qiaoge Company Limited.

5. Mr. Ye Nianqiao is the husband of Ms. Shu Liping. By virtue of Part XV of the SFO, Mr. Ye Nianqiao is deemed to be interested in the shares indirectly held by Ms. Shu Liping through Shuye Company Limited. Shuye Company Limited is beneficially and wholly-owned by Ms. Shu Liping through Shu Feiya Limited, which is in turn wholly owned by a discretionary trust set up by Ms. Shu Liping as founder who can influence how the trustee exercises her discretion. Shuye Company Limited is accustomed to act in accordance with the directions of Ms. Shu Liping.

6. Chenye Company Limited is wholly-owned by Ye Kasi Limited, which is in turn wholly-owned by a discretionary trust set up by Mr. Ye Xun as founder who can influence how the trustee exercises his discretion. Chenye Company Limited is accustomed to act in accordance with the directions of Mr. Ye Xun. By virtue of Part XV of the SFO, Mr. Ye Xun is deemed to be interested in the shares held by Chenye Company Limited.

7. Weixin Company Limited is wholly-owned by Huanleye Limited, which is in turn wholly-owned by a discretionary trust set up by Mr. Ye Nianjiu as founder who can influence how the trustee exercises his discretion. Weixin Company Limited is accustomed to act in accordance with the directions of Mr. Ye Nianjiu. By virtue of Part XV of the SFO, Mr. Ye Nianjiu is deemed to be interested in the shares held by Weixin Company Limited.

Save as disclosed above, as at 31 August 2021, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 August 2021, to the best knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares or underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares(2)	Approximate Percentage of Shareholding in the Company(1)
Cantrust (Far East) Limited	Trustee(3)	675,280,000(L)	33.51%
Ye Liya Limited	Interest in a controlled corporation(3)	675,280,000(L)	33.51%
Qiaoge Company Limited	Beneficial owner(3)	675,280,000(L)	33.51%
Shu Liping	Founder of a discretionary trust(4)	375,000,000(L)	18.61%
	Interest of spouse(4)	675,280,000(L)	33.51%
Cantrust (Far East) Limited	Trustee(4)	375,000,000(L)	18.61%
Shu Feiya Limited	Interest in a controlled corporation(4)	375,000,000(L)	18.61%
Shuye Company Limited	Beneficial owner(4)	375,000,000(L)	18.61%
Cantrust (Far East) Limited	Trustee(5)	300,000,000(L)	14.89%
Ye Kasi Limited	Interest in a controlled corporation(5)	300,000,000(L)	14.89%
Chenye Company Limited	Beneficial owner(5)	300,000,000(L)	14.89%
Cantrust (Far East) Limited	Trustee(6)	150,000,000(L)	7.44%
Huanleye Limited	Interest in a controlled corporation(6)	150,000,000(L)	7.44%
Weixin Company Limited	Beneficial owner(6)	150,000,000(L)	7.44%
SKYLINE MIRACLE LIMITED	Beneficial owner(7)	146,666,667(L)	7.28%
Gabriel Li	Interest in a controlled corporation(7)	146,666,667(L)	7.28%
Lam Lai Ming	Interest in a controlled corporation(7)	146,666,667(L)	7.28%
AREO HOLDINGS LIMITED	Interest in a controlled corporation(7)	146,666,667(L)	7.28%
ORCHID ASIA V GROUP, LIMITED	Interest in a controlled corporation(7)	136,400,000(L)	6.77%
ORCHID ASIA V GROUP MANAGEMENT, LIMITED	Interest in a controlled corporation(7)	136,400,000(L)	6.77%
ORCHID ASIA VII GP, LIMITED	Interest in a controlled corporation(7)	136,400,000(L)	6.77%
OAVII HOLDINGS, L.P.	Interest in a controlled corporation(7)	136,400,000(L)	6.77%
ORCHID ASIA VII, L.P.	Interest in a controlled corporation(7)	136,400,000(L)	6.77%

Notes:

1. As at 31 August 2021, the total number of issued shares is 2,015,248,667 shares.

2. The letter “L” denoted the person’s long position in the shares.

3. Qiaoge Company Limited is wholly-owned by Ye Liya Limited, which is in turn wholly-owned by a trust, the trustee of which is Cantrust (Far East) Limited. The trust is a discretionary trust set up by Mr. Ye Nianqiao as founder who can influence how the trustee exercises his discretion. Qiaoge Company Limited is accustomed to act in accordance with the directions of Mr. Ye Nianqiao. By virtue of Part XV of the SFO, Mr. Ye Nianqiao is deemed to be interested in the shares held by Qiaoge Company Limited.

4. Shuye Company Limited is wholly-owned by Shu Feiya Limited, which is in turn wholly owned by a discretionary trust set up by Ms. Shu Liping as founder who can influence how the trustee exercises her discretion. Shuye Company Limited is accustomed to act in accordance with the directions of Ms. Shu Liping. By virtue of Part XV of the SFO, Ms. Shu Liping is deemed to be interested in the shares held by Shuye Company Limited. Mr. Ye Nianqiao is the husband of Ms. Shu Liping. By virtue of Part XV of the SFO, Ms. Shu Liping is deemed to be interested in the shares indirectly held by Mr. Ye Nianqiao through Qiaoge Company Limited.

5. Chenye Company Limited is wholly-owned by Ye Kasi Limited, which is in turn wholly-owned by a discretionary trust set up by Mr. Ye Xun as founder who can influence how the trustee exercises his discretion. Chenye Company Limited is accustomed to act in accordance with the directions of Mr. Ye Xun. By virtue of Part XV of the SFO, Mr. Ye Xun is deemed to be interested in the shares held by Chenye Company Limited.

6. Weixin Company Limited is wholly-owned by Huanleye Limited, which is in turn wholly-owned by a discretionary trust set up by Mr. Ye Nianjiu as founder who can influence how the trustee exercises his discretion. Weixin Company Limited is accustomed to act in accordance with the directions of Mr. Ye Nianjiu. By virtue of Part XV of the SFO, Mr. Ye Nianjiu is deemed to be interested in the shares held by Weixin Company Limited.

7. Skyline Miracle Limited, was beneficially owned by Orchid Asia VII, L.P. as to 93% and Orchid Asia VII Co-Investment, Limited as to 7%. Orchid Asia VII, L.P. was wholly controlled by OAVII Holdings, L.P. (in its capacity as general partner of Orchid Asia VII, L.P.), which was in turn wholly controlled by Orchid Asia VII GP, Limited (in its capacity as general partner of OAVII Holdings, L.P.), which was in turn wholly owned by Orchid Asia V Group Management, Limited, which was in turn wholly owned by Orchid Asia V Group, Limited, which was in turn wholly owned by Areo Holdings Limited. Areo Holdings Limited was wholly owned by Ms. Lam Lai Ming. Areo Holdings Limited was also controlled by Mr. Gabriel Li by virtue of his directorship therein. Accordingly, Ms. Lam Lai Ming and Mr. Gabriel Li were taken to be interested in the conversion shares in which Areo Holdings Limited was interested by virtue of Part XV of the SFO.

Save as disclosed above, as at 31 August 2021, the Directors were not aware of any other persons (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 10 January 2019 (the "Share Option Scheme"), under which the Company may issue options to purchase up to a total of 200,000,066 Shares to the Directors, senior management and employees. The Share Option Scheme will be valid and effective for a period of ten years commencing on 10 January 2019. Details of which are set out below:

1. Purpose

The purpose of the Share Option Scheme is to provide incentives and rewards to the Directors, employees, advisers, consultants and business partners of the Group for their contribution and to align the corporate objectives and interest between the Group and its key talents.

2. Who may join

The Board may, at its absolute discretion, offer to grant an option to subscribe for such number of shares as the Board may determine to any director, employee, adviser, consultant and business partners of the Group (collectively, the "Eligible Participant").

In determining the basis of offering options to an Eligible Participant, the Board shall take into account, without limitations, the employee grade, years of service, overall performance of such Eligible Participant, and/or such factors as the Board may at its discretion consider appropriate, for the purpose of management.

3. Maximum number of shares in respect of which options may be granted

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company must not in aggregate exceed 200,000,066 shares, representing 10% of the shares in issue as at the Listing Date (the "Scheme Mandate Limit"), excluding for this purpose options lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of the Company, provided that:

(a) the Company may at any time as the Board thinks it is fit to seek approval from the Shareholders to refresh the Scheme Mandate Limit, save that the total number of shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not exceed 10% of the shares in issue as at the date on which the Shareholders approve the refreshment of the Scheme Mandate Limit. Options previously granted under the Share Option Scheme and any other schemes of the Company (including those outstanding, canceled, lapsed or exercised in accordance with the terms of the relevant scheme) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The Company shall send to the Shareholders a circular containing the information required under Chapter 17 of the Listing Rules;

(b) the Company may seek separate approval from the Shareholders in general meeting for granting options to any Eligible Participant specifically identified by them which would cause the Scheme Mandate Limit to be exceeded. The Company shall send to the Shareholders a circular containing, among other things, a generic description of the specified Eligible Participant who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participant with an explanation as to how the terms of the options serve such purpose and such other information required under Chapter 17 of the Listing Rules; and

(c) the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time.

The maximum number of shares in respect of which options may be granted shall be adjusted in the event of any alteration to the capital structure of the Company whether by way of capitalisation of profits or reserves, open offer, rights issue, consolidation, reclassification, reconstruction, subdivision of shares, or reduction of the share capital of the Company but shall not in any event exceed the limits imposed by the Listing Rules.

4. Maximum entitlement of each participant

No option may be granted to any Eligible Participant which, if exercised, would result in such Eligible Participant becoming entitled to subscribe for such number of shares as, when aggregated with the total number of shares already issued or to be issued to him under all Options granted to him (including exercised, canceled and outstanding Options) in the 12-month period up to and including the date of offer, exceeds 1% of the Shares in issue at such date. Any further grant of options in excess of this 1% limit shall be subject to the approval of the Shareholders in general meeting with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The Company shall send to the Shareholders a circular containing the identity of the Eligible Participant, the number and terms of the options to be granted (and options previously granted to such Eligible Participant) and such other information required under Chapter 17 of the Listing Rules.

The number and terms (including the exercise price) of the options to be granted to such Eligible Participant must be fixed before the Shareholders' approval and the date of the Board meeting approving such further grant shall be taken as the date of grant for the purpose of determining the exercise price of the options.

5. Granting Options to connected persons

Any grant of options to a Director (including an independent non-executive Director), chief executive or substantial shareholder (as defined in the Listing Rules) of the Company, or any of their respective associates (as defined in the Listing Rules), under the Share Option Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

Where any grant of options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director, or any of their respective associates (as defined in the Listing Rules), will result in the shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the shares in issue; and

(b) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5.0 million,

such further grant of options by the Board must be approved by the Shareholders. Any Shareholder who is a connected person (as defined in the Listing Rules) of the Company must abstain from voting on the resolution to approve such further grant of options, except that such a connected person (as defined in the Listing Rules) may vote against such resolution subject to the requirements under Chapter 17 of the Listing Rules. The Company shall send to the Shareholders a circular containing the information required under Chapter 17 of the Listing Rules.

6. Acceptance of an offer of options

An offer of options shall be open for acceptance for such period (not exceeding 30 calendar days from, and inclusive of, the date of grant) as the Board may determine and notify to the Eligible Participant concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Share Option Scheme or after the Share Option Scheme has been terminated. An offer of options has not accepted within this period shall lapse. An amount of HK$1.00 is payable upon acceptance of the grant of options and such payment shall not be refundable and shall not be deemed to be a part of payment of the exercise price.

7. Exercise price

The exercise price in respect of any option shall be such price as the Board determined by the Board and notified to an option holder and which shall not be less than the higher of:

(a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant option, which must be a business day;

(b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and

(c) the nominal value of the shares.

8. Duration of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the adoption date of the Share Option Scheme after which no further options will be granted, but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme.

9. **Timing of vesting and exercise of options**

Any option shall be vested on an option holder immediately upon his acceptance of the offer of options. Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed 10 years from the grant date of the option.

An option shall be subject to such terms and conditions (if any) as may be determined by the Board at the date of offer and specified in the offer of the option. Notwithstanding the above, there is no minimum period for which any option must be held before it can be exercised and no performance target which needs to be achieved by an option holder before the option can be exercised.

10. **Restriction on the time of grant of options**

The Board may not grant any options after inside information has come to its knowledge until such inside information has been published in accordance with the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

(a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(b) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no option may be granted. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

Other details of the Share Option Scheme and the terms thereof are set out in the Prospectus.

From 10 January 2019 (date of the adoption of the Share Option Scheme) to 31 August 2021, no option under the Share Option Scheme has been granted, exercised, cancelled and lapsed.

As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme was 200,000,066 representing approximately 10% of the issued Shares and the remaining life of the Share Option Scheme was around seven years and two months.

RESTRICTED SHARE AWARD SCHEME

The Company has adopted a restricted share award scheme (the "Restricted Share Award Scheme") on 22 June 2020 to (i) recognize and reward the selected participants for their past contributions to the Company and provide them with the opportunities to acquire the interests in the Company; (ii) provide incentives for the selected participants to continuously make substantial contributions for the long-term growth of the Company in the future; (iii) attract and retain talented participants who may be beneficial to the growth and development of the Company; (iv) further align the interests of the selected participants with the Shareholders through ownership of Shares by the selected participants, so as to bring more efficient and long lasting returns to the Company, the Shareholders and the selected participants and to promote the realization of the strategic objectives of the Company; and (v) establish an operating performance-oriented long-term incentive mechanism for the Company. The Restricted Share Award Scheme became effective on 22 June 2020. Subject to earlier termination by the Board, the Restricted Share Award Scheme shall be valid and effective for a period of 5 years from the adoption date. The maximum number of shares which can be awarded under the Restricted Share Award Scheme and to a selected participant are limited to 2% of the issued share capital of the Company as at the adoption date.

The Company shall comply with the relevant Listing Rules when granting the Restricted Shares. If awards are made to the directors or substantial shareholders of the Group, such awards shall constitute connected transaction under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.

The table below shows details of the restricted shares granted under the Restricted Share Award Scheme during the Reporting Period:

		Number of Restricted Shares					
	Date of Grant	Outstanding as at 1 January 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited during the Reporting Period	Outstanding as at 31 August 2021	Vesting Period
Directors							
Dr. Zhang Xiangwei	14 August 2020	2,000,000	–	800,000	–	1,200,000	2 years
Mr. Zha Donghui	14 August 2020	1,200,000	–	480,000	–	720,000	2 years
Ms. Li Yan	14 August 2020	1,000,000	–	400,000	–	600,000	2 years
Mr. Ye Xun	14 August 2020	700,000	–	280,000	–	420,000	2 years
Mr. Wang Chuanwu	14 August 2020	800,000	–	320,000	–	480,000	2 years
Dr. Xu Ming	14 August 2020	400,000	–	160,000	–	240,000	2 years

		Number of Restricted Shares					
	Date of Grant	Outstanding as at 1 January 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited during the Reporting Period	Outstanding as at 31 August 2021	Vesting Period
Directors of the Subsidiary							
Mr. Ye Nianjiu	14 August 2020	800,000	–	320,000	–	480,000	2 years
Ms. Wang Yi Ning	14 August 2020	800,000	–	320,000	–	480,000	2 years
Mr. Zhang Dongsheng	14 August 2020	700,000	–	280,000	–	420,000	2 years
Ms. Chai Weisi (Former director)	14 August 2020	650,000	–	260,000	–	390,000	2 years
Ms. Liu Xiangping	14 August 2020	650,000	–	260,000	–	390,000	2 years
Mr. Zhang Zongshan (Former director)	14 August 2020	650,000	–	260,000	–	390,000	2 years
Mr. Li Huiyou (Former director)	14 August 2020	400,000	–	160,000	–	240,000	2 years
Mr. Tan Jinxing (Former director)	14 August 2020	400,000	–	160,000	–	240,000	2 years
Sub-total		11,150,000	–	4,460,000	–	6,690,000	
Employees in aggregate							
7 employees	22 June 2020	3,300,000	–	280,000	1,040,000	1,980,000	2 years
Sub-total		3,300,000	–	280,000	1,040,000	1,980,000	
Total		14,450,000	–	4,740,000	1,040,000	8,670,000	

As at 31 August 2021, no restricted shares has been granted under the Restricted Share Award Scheme and 25,565,973 restricted shares remaining in the pool, representing approximately 1.27% of the total issued share capital as at the date of this annual report. The remaining life of the Restricted Share Award Scheme was around three years and six months as at the date of this annual report.

Details of the purpose and movement of the Restricted Shares granted during the Reporting Period are set out under note 29 to the consolidated financial statements in this annual report. For more details of the Restricted Share Award Scheme, please refer to the Company's announcement dated 22 June 2020.

EQUITY-LINKED AGREEMENTS

Save as the disclosed in the section headed "Share Option Scheme" and "Restricted Share Award Scheme" of this annual report, no equity-linked agreements were entered into by the Company, or existed during the eight months ended 31 August 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the eight months ended 31 August 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

CONTINUING CONNECTED TRANSACTION

During the Reporting Period, the Group has entered into the following non-exempt continuing connected transactions pursuant to Chapter 14A of the Listing Rules:

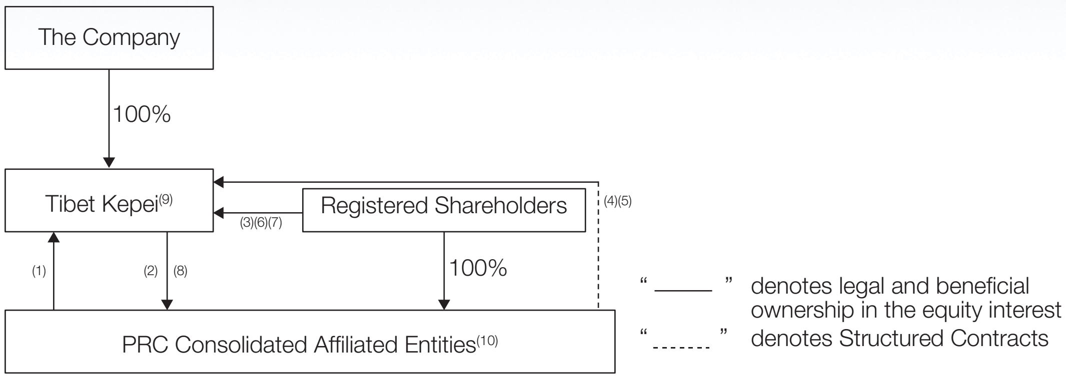
Structured Contracts

A. Overview

The Group conducts private higher education and secondary vocational education business through the PRC Schools in Guangdong, Harbin and Anhui Province of the PRC. In the PRC, the private education industry is subject to certain foreign ownership restrictions. Under applicable laws and regulations, education institutions offering higher education and secondary vocational education must be operated in the form of Sino-foreign cooperation. Furthermore, applicable PRC laws and regulations impose Qualification Requirements on the foreign investors of Sino-foreign joint venture private schools (the "Sino-Foreign Joint Venture Private Schools"). However, in practice, the PRC government usually withholds approval in respect of the application for the establishment of the Sino-Foreign Joint Venture Private Schools. As such, the Group does not hold any equity interest in the PRC Schools and it obtained control over and derive economic benefits from the PRC Schools, Zhaoqing Kepei, Huaibei Kepei, Ganzhou Xuteng Enterprise Management Co., Ltd.* (贛州序騰企業管理有限公司) ("Ganzhou Xuteng") and Harbin Huarui Industrial Co., Ltd.* (哈爾濱華瑞實業有限公司) ("Huarui Industrial") (collectively, the "School Sponsor(s)") through the Structured Contracts. The Structured Contracts have been narrowly tailored to achieve the Group's business purpose and minimize the potential conflict with the relevant PRC laws and regulations.

In order to comply with the PRC laws and regulations as set out above while availing the Group of international capital markets and maintaining effective control over all of our operations, the Group's wholly-owned subsidiary, Tibet Kepei, entered into the Structured Contracts with, among others, the PRC Schools and the School Sponsor, pursuant to which all economic benefits arising from the business of the PRC Schools and the School Sponsor are transferred to Tibet Kepei to the extent permitted under the PRC laws and regulations by means of service fees payable by the PRC Schools and the School Sponsor to Tibet Kepei.

The following simplified diagram illustrates the flow of economic benefits from the PRC Schools and the School Sponsors to the Group stipulated under the Structured Contracts:



Notes:

(1) Payment of service fees. Please see "– Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (2) Exclusive Technical Service and Management Consultancy Agreement" in the Prospectus for details.

(2) Provision of exclusive technical and management consultancy services. Please see "– Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (2) Exclusive Technical Service and Management Consultancy Agreement" in the Prospectus for details.

(3) Exclusive call option to acquire all or part the school sponsor's interest in the PRC Schools and all or part equity interest in the School Sponsors. Please see "– Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (3) Exclusive Call Option Agreement" in the Prospectus for details.

(4) Entrustment of the School Sponsor's rights in the PRC Schools by the School Sponsors. Please see "– Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (6) School Sponsor's and Directors' Rights Entrustment Agreement" and "– Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (9) School Sponsor's Powers of Attorney" in the Prospectus for details.

(5) Entrustment of directors' rights in the PRC Schools by directors of the PRC Schools including directors' powers of attorney. Please see "– Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (6) School Sponsor's and Directors' Rights Entrustment Agreement" and "– Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (8) Directors' Power of Attorney" in the Prospectus for details.

(6) Entrust of Shareholders' right including registered Shareholders' Power of Attorney. Please see "– Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (5) Registered Shareholders' Rights Entrustment Agreement" and "– Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (7) Registered Shareholders' Power of Attorney" in the Prospectus for details.

(7) Pledge of equity interest by the registered Shareholders of their equity interest in the School Sponsors. Please see "– Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (4) Equity Pledge Agreement" in the Prospectus for details.

(8) Provision of loans by Tibet Kepei to the School Sponsors. Please see "– Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (11) Loan Agreement" in the Prospectus for further details.

(9) On 10 July 2018, the original structured contracts dated 26 April 2018 were terminated as we incorporated a new wholly foreign owned enterprise in Tibet Autonomous Region, Tibet Kepei, which had assumed the rights and obligations of Zhaoqing Kepei Information Technology Company Limited under the original structured contracts since 10 July 2018.

(10) The Research Institute of Intelligent Manufacturing (Zhaoqing Gaoyao) Co., Ltd (the "Research Institute") was established in the PRC on 11 May 2016 with an initial registered capital of RMB5,000,000, and was held by Guangdong Polytechnic College and Guangzhou Wanzhi Information Technology Co., Ltd. (廣州萬智資訊科技有限公司), an independent third party, as to 49% and 51%, respectively. On 31 May 2021, the Guangdong Polytechnic College entered into an equity transfer agreement to further acquire the remaining 51% equity interest in the Research Institute at a consideration of RMB1,550,000. The principal business of the Research Institute is researching and fostering intelligent manufacturing technology and applications.

(11) According to the PRC laws and regulations, entities and individuals who establish private schools are commonly referred to as "school sponsors" instead of "owners" or "shareholders." Please see "Regulatory Overview" in the Prospectus for further details.

The School Sponsors are special purpose vehicles and were established as a holding company to hold interests in the PRC Schools. The School Sponsors are not engaged in any other business other than the aforesaid. Under the Structured Contracts, each of the School Sponsors and the PRC Schools (collectively, the "PRC Consolidated Affiliated Entities") entered into the exclusive technical service and management consultancy agreement and loan agreement with, among others, Tibet Kepei, pursuant to which each of the PRC Schools and the School Sponsors will be directly bound by and subject to the terms and conditions thereof.

Accordingly, for any services provided by Tibet Kepei to any of the PRC Schools and the School Sponsors, the respective service fee will be paid by the School Sponsors and/or PRC Schools to Tibet Kepei directly. In addition, in order to prevent the leakage of assets and values of the PRC Schools, the shareholders of Zhaoqing Kepei, Huaibei Kepei, Ganzhou Xuteng and Huarui Industrial, namely Mr. Ye Nianqiao, Ms. Shu Liping, Mr. Ye Xun and Mr. Ye Nianjiu (collectively, the "Registered Shareholder(s)"), the School Sponsors and the PRC Schools have undertaken that, without the prior written consent of Tibet Kepei or its designated party, the Registered Shareholders, the Schools Sponsors or the PRC Schools shall not, among others, distribute dividends or other payments to our School Sponsors, or the Registered Shareholder.

B. Summary of the material terms of Structured Contracts

(1) Business Cooperation Agreement

Pursuant to the Business Cooperation Agreement, Tibet Kepei shall provide technical services, management support and consulting services necessary for the private education business, and in return, the PRC Schools and the School Sponsors shall make payments of fees accordingly.

To ensure the due performance of the Structured Contracts, each of the PRC Schools and the School Sponsors agreed to comply, and procure any of its subsidiaries to comply with, the obligations as prescribed under the Business Cooperation Agreement.

In order to prevent the leakage of assets and values of the PRC Consolidated Affiliated Entities, the Registered Shareholders, the School Sponsors and each of the PRC Schools have undertaken that, without the prior written consent of Tibet Kepei or its designated party, the Registered Shareholders, the School Sponsors or the PRC Schools shall not conduct or cause to conduct any activity or transaction which may have any actual impact (i) on the assets, business, staff, obligations, rights or operations of the PRC Schools and/or the School Sponsors or (ii) on the ability of the School Sponsors, the Registered Shareholders and each of the PRC Schools to perform the obligations under the Structured Contracts.

Furthermore, each of Registered Shareholders undertakes to Tibet Kepei that, unless with the prior written consent of Tibet Kepei, the Registered Shareholders (severally or jointly) shall not (i) directly or indirectly engage, participate in, conduct, acquire or hold any business or activity which competes or may potentially compete with any of the PRC Schools and/or the School Sponsors and its subsidiaries (the "Competing Business"), (ii) use information obtained from any of the PRC Schools and/or the School Sponsors or their subsidiaries for the Competing Business and (iii) obtain any benefit from any Competing Business. Each of the Registered Shareholders further consents and agrees that, in the event that the Registered Shareholders (severally or jointly) directly or indirectly engage, participate in or conduct any Competing Business, Tibet Kepei and/or other entities as designated by us shall be granted an option to require the entity engaging in the Competing Business to (i) enter into an arrangement similar to that of the Structured Contracts or (ii) cease to engage in such Competing Business.

(2) Exclusive Technical Service and Management Consultancy Agreement

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, Tibet Kepei agreed to provide exclusive technical services to the PRC Schools and the School Sponsors, including but not limited to, (a) design, development, update and maintenance of education software for computers and mobile devices; (b) design, development, update and maintenance of webpages and websites necessary for the education activities; (c) design, development, update and maintenance of management information systems necessary for the education activities; (d) provision of other technical support necessary for the education activities; (e) provision of technical consulting services; (f) provision of technical training; (g) engaging technical staff to provide on-site technical support; and (h) providing other technical services reasonably requested by the PRC Schools and the School Sponsors.

Furthermore, Tibet Kepei agreed to provide exclusive management consultancy services to the PRC Schools and the School Sponsors, including but not limited to, (a) design of curriculum; (b) preparation, selection and/or recommendation of course materials; (c) provision of teacher and staff recruitment, training support and services; (d) provision of student recruitment support and services; (e) provision of public relation services; (f) preparation of long-term strategic development plans and annual working plans; (g) development of financial management systems and recommendation and optimization on annual budget; (h) advising on the design of internal structures and internal management; (i) provision of management and consultancy training to administrative staff; (j) conducting market research and investigation and providing market information feedback and business development recommendation; (k) preparation of market development plan; (l) building of online and offline marketing networks; and (m) providing other services reasonably requested by the PRC Schools and the School Sponsors.

In consideration of the technical and management consultancy services provided by Tibet Kepei, each of the PRC Schools and our School Sponsors agreed to pay Tibet Kepei a service fee equal to all of their respective amounts of surplus from operations (after deducting necessary costs, expenses, taxes, losses from the previous year (if required by the law) and the legally compulsory development fund of the respective school (if required by the law) and other expenses required by the applicable PRC laws; and our School Sponsors agreed to pay Tibet Kepei a service fee equal to all of its net profit (after deducting all necessary costs, expenses, taxes, losses from the previous year (if required by law) and statutory accumulation funds. Tibet Kepei has the right (but not the obligation) to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of the PRC Schools and the School Sponsors, provided that any adjusted amount shall not exceed the amount mentioned above.

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, unless otherwise prescribed under the PRC laws and regulations, Tibet Kepei shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by Tibet Kepei to the PRC Schools and the School Sponsors, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Exclusive Technical Service and Management Consultancy Agreement and/or any other agreements entered into between Tibet Kepei and other parties.

(3) Exclusive Call Option Agreement

Under the Exclusive Call Option Agreement, the Registered Shareholders have irrevocably and unconditionally granted Tibet Kepei or its designated purchaser the right to purchase all or part of the school sponsor's interest in the PRC Schools and equity interest in the School Sponsors (the "Equity Call Option"). The purchase price payable by Tibet Kepei in respect of the transfer of such school sponsor's interest or equity interest upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. Tibet Kepei or its designated purchaser shall have the right to purchase such proportion of the school sponsor's interest of the PRC Schools and/or equity interest in the School Sponsors as it decides at any time.

In the event that the PRC laws and regulations allow Tibet Kepei or us to directly hold all or part of the equity interest in the PRC Schools and/or the School Sponsors, Tibet Kepei shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of school sponsors' interest and/or equity interest purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by Tibet Kepei or us under the PRC laws and regulations.

(4) Equity Pledge Agreement

Pursuant to the Equity Pledge Agreement, each of the Registered Shareholders unconditionally and irrevocably pledged and granted the first priority security interests over all of his/her/its equity interest in the School Sponsors together with all related rights thereto to Tibet Kepei as security for performance of the Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Tibet Kepei as a result of any event of default on the part of the Registered Shareholders, the School Sponsors or each of the PRC Schools and all expenses incurred by Tibet Kepei as a result of enforcement of the obligations of the Registered Shareholders, the School Sponsors and/or each of the PRC Schools under the Structured Contracts (the "Secured Indebtedness").

Pursuant to the Equity Pledge Agreement, without the prior written consent of Tibet Kepei, the Registered Shareholders shall not transfer the equity interest or create any further pledge or encumbrance over the pledged equity interest. Any unauthorized transfer shall be invalid. The Registered Shareholders also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged equity pursuant to the Equity Pledge Agreement.

(5) Registered Shareholders' Rights Entrustment Agreement

Pursuant to the Registered Shareholders' Rights Entrustment Agreement, each of the Registered Shareholders has irrevocably authorized and entrusted Tibet Kepei to exercise all of his/her/their respective rights as shareholders of the School Sponsors to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to attend shareholders' meetings of the School Sponsors, as the case may be; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting of the School Sponsors, as the case may be; (c) the right to propose to convene interim shareholders' meetings of the School Sponsors, as the case may be; (d) the right to sign all shareholders' resolutions and other legal documents which the Registered Shareholders have authority to sign in his or their capacity as shareholders of the School Sponsors, as the case may be; (e) the right to instruct the directors and legal representative of the School Sponsors, as the case may be to act in accordance with the instruction of Tibet Kepei; (f) the right to exercise all other rights and voting rights of shareholders as prescribed under the articles of association of the School Sponsors, as the case may be; (g) the right to handle the legal procedures of registration, approval, licensing and filing of the School Sponsors, as the case may be at the industrial and commercial administrative department or other government regulatory departments; (h) the right to determine to transfer or dispose in any form of equity interests in the School Sponsors held by the Registered Shareholders; and (i) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of the PRC Schools as amended from time to time.

In addition, each of the Registered Shareholders and the School Sponsors has irrevocably agreed that (i) Tibet Kepei may delegate its rights under the Registered Shareholders' Rights Entrustment Agreement to the directors of Tibet Kepei or its designated person; and (ii) any person as successor of civil rights of Tibet Kepei or liquidator by reason of subdivision, merger or liquidation of Tibet Kepei or other circumstances shall have authority to replace Tibet Kepei to exercise all rights under the Registered Shareholders' Rights Entrustment Agreement.

(6) School Sponsor's and Directors' Rights Entrustment Agreement

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, the School Sponsors have irrevocably authorized and entrusted Tibet Kepei to exercise all its rights as the school sponsor of each of the PRC Schools to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to appoint and/or elect directors or council members of the schools; (b) the right to appoint and/or elect supervisors of the schools; (c) the right to understand the operation and financial situation of the schools; (d) the right to review the resolutions and records of the board of directors and financial statements and reports of the schools; (e) the right to obtain reasonable returns as the School Sponsors of the schools in accordance with the laws and the articles of association of each school; (f) the right to acquire residual assets upon liquidation of the schools in accordance with the laws and the articles of association of each school; (g) the right to transfer school sponsor's interest in accordance with the laws; (h) the right to make a choice between profitability and non-profitability of the schools in accordance with the PRC laws, regulations or regulatory documents; (i) the right to vote on behalf of the schools regarding bankruptcy, liquidation, dissolution or termination of the schools; (j) the right to handle the legal procedures of registration, approval, licensing and filing of the PRC Schools at the education department, the department of civil affairs or other government regulatory departments and deliver any document to the relevant government authority that the school sponsor is required to deliver; and (k) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of each school as amended from time to time.

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, each of the Directors of each PRC Schools appointed by the School Sponsors (the "Appointees") has irrevocably authorized and entrusted Tibet Kepei to exercise all his/her rights as directors of the PRC Schools is appointed by our School Sponsors and to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to attend meetings of the board of directors as representative of the directors appointed by our School Sponsors; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the board meeting of each of the PRC Schools; (c) the right to propose to convene interim board meetings of each of the PRC Schools; (d) the right to sign all board minutes, board resolutions and other legal documents which the directors appointed by the School Sponsors have authority to sign in his/her capacity as directors of the PRC Schools; (e) the right to instruct the legal representative and financial, business and administrative responsible persons of the PRC Schools to act in accordance with the instruction of Tibet Kepei; (f) the right to exercise all other rights and voting rights of directors as prescribed under the articles of association of the PRC Schools; (g) the right to vote on behalf of the schools in respect of bankruptcy, liquidation, dissolution or termination of the schools; (h) the right to handle the legal procedures of registration, approval and licensing of the PRC Schools at the education department, the department of civil affairs or other government regulatory departments and deliver any document to the relevant government authority that the school sponsor is required to deliver; and (i) other directors' rights pursuant to applicable PRC laws and regulations and the articles of association of the PRC Schools as amended from time to time.

In addition, each of the School Sponsors and the Appointees has irrevocably agreed that (i) Tibet Kepei may delegate its rights under the School Sponsor's and Directors' Rights Entrustment Agreement to the directors of Tibet Kepei or its designated person, without prior notice to or approval by the School Sponsors and the Appointees; and (ii) any person as successor of civil rights of Tibet Kepei or liquidator by reason of subdivision, merger or liquidation of Tibet Kepei or other circumstances shall have authority to replace Tibet Kepei to exercise all rights under the School Sponsor's and Directors' Rights Entrustment Agreement.

(7) *Registered Shareholders' Power of Attorney*

Pursuant to the Registered Shareholders' Powers of Attorney executed by each of the Registered Shareholders in favor of Tibet Kepei, each of the Registered Shareholders authorized and appointed Tibet Kepei, as his or their agent to act on his or their behalf to exercise or delegate the exercise of all his or their rights as shareholders of the School Sponsors. For details of the rights granted, please see "– Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (5) Registered Shareholders' Rights Entrustment Agreement" in the Prospectus.

Tibet Kepei shall have the right to further delegate the rights so delegated to its directors or other designated person. Each of the Registered Shareholders irrevocably agreed that the authorization and appointment in the Registered Shareholders' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death, divorce or other similar events. The Directors' Power of Attorney shall constitute a part of and incorporate terms of the Registered Shareholders' Rights Entrustment Agreement.

(8) *Directors' Power of Attorney*

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favor of Tibet Kepei, each of the Appointees authorized and appointed Tibet Kepei (the sole director of which is not a director of any of the School Sponsors and/or the PRC Schools and therefore does not give rise to any conflict of interest), 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 the PRC Schools. For details of the rights granted, please see "– Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (6) School Sponsor's and Directors' Rights Entrustment Agreement" of the Prospectus.

Tibet Kepei shall have the right to further delegate the rights so delegated to the directors of Tibet Kepei or other designated person. Each of the Appointees irrevocably agreed that the authorization and appointment in the Directors' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. The Directors' Power of Attorney shall constitute a part of and incorporate terms of the School Sponsor's and Directors' Rights Entrustment Agreement.

(9) *School Sponsor's Power of Attorney*

Pursuant to the School Sponsor's Powers of Attorney executed by the School Sponsors in favour of Tibet Kepei, the School Sponsors authorized and appointed Tibet Kepei (the sole director of which is not a director of any of the School Sponsor and/or the PRC Schools and therefore does not give rise to any conflicts of interest), as its agent to act on its behalf to exercise or delegate the exercise of all its rights as a school sponsor of each of the PRC Schools. For details of the rights granted, please see "– Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (6) School Sponsor's and Directors' Rights Entrustment Agreement" of the Prospectus.

Tibet Kepei shall have the right to further delegate the rights so delegated to the directors of Tibet Kepei or other designated person. The School Sponsors irrevocably agreed that the authorization and appointment in the School Sponsor's Powers of Attorney shall not be invalid, prejudiced, derogated or otherwise adversely affected by reason of the School Sponsor's subdivision, merger, winding up, consolidation, liquidation or other similar events. The School Sponsor's Power of Attorney shall constitute a part of and incorporate terms of the School Sponsor's and Directors' Rights Entrustment Agreement.

(10) *Spouse Undertakings*

Pursuant to the Spouse Undertakings, each of Mr. Ye Nianqiao, Ms. Shu Liping, the spouse of Mr. Ye Nianjiu and the spouse of Mr. Ye Xun (the "Relevant Spouse") has irrevocably undertaken that:

(a) the Relevant Spouse has full knowledge of and has consented to the entering into of the Structured Contracts by his/her spouse, and in particular, the arrangement as set out in the Structured Contracts in relation to the restrictions imposed on the direct or indirect equity interest in the School Sponsors, pledge or transfer the direct or indirect equity interest in the School Sponsors, or the disposal of the direct or indirect equity interest in the School Sponsors in any other forms;

(b) the Relevant Spouse has not participated, is not participating and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to the School Sponsors and the PRC Operating Schools;

(c) the Relevant Spouse authorizes his/her spouse or his/her authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the Relevant Spouse in relation to the Relevant Spouse's equity interest in the School Sponsors (direct or indirect) in order to safeguard the interest of Tibet Kepei under the Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;

(d) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the direct or indirect equity interest in the School Sponsors;

(e) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events;

(f) all undertakings, confirmations, consents and authorizations under the Spouse Undertakings shall continue to be valid and binding until otherwise terminated by both Tibet Kepei and the Relevant Spouse in writing; and

(g) the Spouse Undertakings shall have the same term as and incorporate the terms of the Business Cooperation Agreement.

(11) Loan Agreement

Pursuant to the Loan Agreement, Tibet Kepei agreed to provide interest-free loans to the School Sponsors in accordance with the PRC laws and regulations and the School Sponsors agreed to utilize the proceeds of such loans to contribute as capital of the PRC Schools in its capacity as school sponsor in accordance with the Company's instructions.

The terms of the Loan Agreement shall continue until all direct or indirect interest of the PRC Schools and the School Sponsor has been transferred to Tibet Kepei or its designee and/or the Company or its designee and the registration process required thereafter has been completed with the relevant local authorities.

Each loan to be granted under the Loan Agreement will be for an indefinite term until termination at the sole discretion of Tibet Kepei. The loan will become due and payable upon Tibet Kepei's demand under any of the following circumstances: (i) a bankruptcy application, bankruptcy reorganization or bankruptcy settlement has been filed by or against the School Sponsors, (ii) a winding-up or liquidation application has been filed by or against the School Sponsors, (iii) the School Sponsors becoming insolvent or incurring any other significant personal debt which may affect its ability to repay the loan under the Loan Agreement, (iv) Tibet Kepei or its designee exercising in full its option to purchase all direct or indirect school sponsor's interests to the extent permitted by the PRC laws and regulations or (v) any of the School Sponsors or the PRC schools commit any breach of any obligations under the Structured Contracts or any warranties provided by any of the School Sponsors or the PRC Schools under the Structured Contracts is proved incorrect or inaccurate. As advised by the Company's PRC legal advisors, the interest-free loans granted by Tibet Kepei to the School Sponsors are not in violation of the applicable PRC laws and regulations.

C. Business activities of the PRC Consolidated Affiliated Entities

The business activities of the consolidated affiliated entities of the Group, namely the School Sponsors, Guangdong Polytechnic College, Zhaoqing School, Harbin Institute of Petroleum and Huaibei Polytechnic College are primarily to provide private higher education and secondary vocational education to the Group's students.

D. Significance and Financial Contributions of PRC Consolidated Affiliated Entities

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

	Revenue		Net profit		Total assets	
	For the year ended 31 December 2020	**For the eight months ended 31 December 2021**	For the year ended 31 December 2020	**For the eight months ended 31 December 2021**	As of 31 December 2020	**As of 31 August 2021**
PRC Consolidated Affiliated Entities	100%	**100%**	104%	**128%**	87%	**98%**

E. Revenue and assets involved in Structured Contracts

The table below sets out (i) revenue; and (ii) assets involved in the PRC Consolidated Affiliated Entities, they would be consolidated into the Group's financial statements pursuant to the Structural Contracts:

	Revenue For the eight months ended 31 August 2021 RMB'000	Total Assets as of 31 August 2021 RMB'000
PRC Consolidated Affiliated Entities	671,295	6,624,994

F. Regulatory framework and legality of the Structured Contracts

1. Higher education and secondary vocational education

Pursuant to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2019 Edition) (the "Negative List"), the provision of higher education in the PRC falls within the "restricted" category. In particular, the Negative List explicitly provides that higher education must be operated in the form of Sino-foreign cooperation, which means that the foreign investor shall operate higher education in the PRC through cooperation with a PRC education institution in compliance with the Regulation on Sino-Foreign Cooperation in Operating Schools (中華人民共和國中外合作辦學條款) promulgated by the State Council in 2003 and 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 chief executive officer of the school shall be a PRC national; and (b) the representatives of the domestic party shall account for no less than half of the total number of members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative education institution (the "Foreign Control Restriction"). As confirmed by the PRC legal advisors, the Company had complied with the Foreign Control Restriction in respect of the PRC Schools on the basis that (a) the principals and the chief executive officers of the PRC Schools are all PRC nationals; and (b) all the members of the board of directors of the PRC Schools are PRC nationals, while secondary vocational education is not listed as restricted category in the Negative List.

The Company further consulted the Guangdong Provincial Department of Education, being the competent authority as advised by the PRC legal advisors, on the applicability of foreign investment restrictions to secondary vocational education. As advised by the relevant officer of the policies and regulation division at the Guangdong Provincial Department of Education, being the competent authority as advised by the PRC legal advisors, the application by a foreign investor to invest in or operate as a school sponsor of secondary vocational education in any form other than Sino-foreign cooperation will not be approved or permitted.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation, if we were to apply for any of the schools offering higher education to be reorganized as a Sino-Foreign Joint Venture Private School for PRC students, the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign education institution with relevant qualifications and one that provides high quality education (the "Qualification Requirement"). Furthermore, pursuant to the Implementation Opinions, the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the "Foreign Ownership Restriction"). In addition, if we were to apply for any of the schools offering secondary vocational education to be reorganized as a Sino-Foreign Joint Venture Private School, we were advised by the relevant officer of the policies and regulation division at the Guangdong Provincial Department of Education, being the competent authority as advised by the PRC legal advisors, that the Foreign Ownership Restriction and Qualification Requirement also apply to education institutions offering secondary vocational education aiming for PRC students.

The PRC legal advisors have advised that there are no implementing measures or specific guidance on the Qualification Requirement in accordance with the existing PRC laws and regulations and therefore it is currently uncertain as to what specific criteria must be met by a foreign investor (such as the length of experience and the form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant educational authority that it meets the Qualification Requirement.

On 20 September 2017, with the assistance of the PRC legal advisors, the Company consulted the Guangdong Provincial Department of Education, being the competent authority as advised by the PRC legal advisors, to confirm the matters relating to the Sino-Foreign Joint Venture Private Schools relevant to the Company. The Company was advised by the relevant officer of the policies and regulation division at the Guangdong Provincial Department of Education that:

(i) the Foreign Ownership Restriction applies to Sino-Foreign Joint Venture Private Schools engaging in higher education and secondary vocational education in the region;

(ii) no implementing measures or specific guidance had been promulgated pursuant to the Sino-Foreign Regulation, including the Qualification Requirement, in Guangdong Province;

(iii) as a matter of policy, no Sino-Foreign Joint Venture Private School (as a separate legal person) had been approved in Guangdong Province after the Sino-Foreign Regulation became effective, and no application had been received in respect of establishing Sino-Foreign Joint Venture Private Schools;

(iv) the application to convert the PRC Schools into Sino-Foreign Joint Venture Private Schools would not be approved; and

(v) the execution of the Structured Contracts does not require any approval from the relevant education authorities.

The PRC legal advisors are of the view that the aforesaid officer is competent to provide the confirmation on the basis that such officer has good and authoritative understanding of the PRC laws and regulations regarding Sino-foreign cooperative education and its actual implementation in Guangdong Province.

2. *Plan to comply with the Qualification Requirement*

The Company has adopted a specific plan and begun to take the following concrete steps which it reasonably believes are meaningful endeavors to demonstrate compliance with the Qualification Requirement. According to the consultation with the Guangdong Provincial Department of Education, they would not approve the Company's application to convert the PRC Schools into Sino-Foreign Joint Venture Private Schools and there were no implementing measures or specific guidance on the Qualification Requirement. The PRC legal advisors are of the view that, notwithstanding it is not possible for the Guangdong Provincial Department of Education to approve the Company's application to convert the PRC Schools into Sino-Foreign Joint Venture Private Schools, taking into consideration that (i) no implementing measures or specific guidance were promulgated pursuant to the Sino-Foreign Regulation, including the Qualification Requirement, in Guangdong Province as of the date of this annual report and (ii) the consultation with the Guangdong Provincial Department of Education as outlined above, the following steps taken by the Company are reasonable, appropriate and sufficient to demonstrate compliance with the Qualification Requirement pursuant to paragraph 16C of Listing Decision HKEX-LD43-3.

As of the date of this annual report, the Company has formed a holding company of a new school in the United States, namely International Academy of Southern California ("International Academy"), which was wholly owned by China Kepei (Hong Kong) Limited (中國科培教育(香港)有限公司). The Company has submitted a formal application to California Bureau for Private Postsecondary Education ("BPPE") for the establishment of a new school under the name of International Academy of Southern California in the State of California, the United States in May 2018 and the application is still in process. International Academy will be responsible for the daily operation and management of the new school to be established and a three-tier management system comprising (i) the board of directors, (ii) the chief executive officer and (iii) the chief academic officer and the chief operating officer will be established. In particular, Ms. Shuye Huan (郇舒葉) ("Ms. Huan") will serve as the chief executive officer of the school. Ms. Huan has approximately 28 years of higher education administration experience in the United States. Ms. Huan worked at Stanford University in the State of California, the United States from February 1990 to February 2017 with positions including assistant director of the Stanford Center for International Development (the "SCID") China Program and director of the SCID Training Programs, where she designed, marketed and guided to completion various academic and training programs. Since 2017, Ms. Huan has been serving as a board member of the board of trustees, mainly responsible for higher education development, at Sofia University in the United States. The mission of the new school is to provide educational services at the bachelor's degree level, with a focus on business administration. As of the date of this annual report, the new school is intended to initially offer bachelor's degrees of science in business administration and has employed four professors, all of whom were awarded a doctorate of philosophy by renowned universities such as Stanford University. In addition, we have entered into a lease agreement for the rent of a premises occupying a total of 5,333 square feet in the city of San Jose, State of California, the United States for the use of the new school. The operation and development of the new school will be funded by the Company's internal resources and the Company has expended approximately US$185,000 in connection with its plan as of the date of this annual report.

As advised by the PRC legal advisors, if both of the Foreign Ownership Restriction and the Foreign Control Restriction are removed but the Qualification Requirement remains and assuming the new school to be operated by International Academy, i.e. the foreign school or another foreign educational institution established by the Company gains a level of foreign experience sufficient to demonstrate compliance with the Qualification Requirement and obtains the approval of the relevant education authorities for the establishment of a Sino-Foreign Joint Venture Private School in the future (provided that the then PRC laws and regulations do not impose new requirements, restrictions, or prohibitions in relation to the establishment of a Sino-Foreign Joint Venture Private School), the Company will be able to operate its schools in the PRC directly through the new school operated by International Academy, i.e. the foreign school or such other educational institution subject to the approval from the competent education authorities.

Furthermore, the Company has undertaken to the Stock Exchange that it will:

(i) under the guidance of the PRC legal advisors, continue to keep itself updated with regard to any relevant regulatory developments and guidance relating to the Qualification Requirement; and

(ii) provide periodic updates in its annual and interim reports after the Listing to inform the Shareholders of its efforts and actions undertaken with the Qualification Requirement.

Based on the above, the Company's PRC legal advisors are of the opinion that:

(a) each of the PRC Schools and the School Sponsors was duly incorporated and is validly existing and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations. Each of the Registered Shareholders is a legal person with full civil and legal capacity. Each of the PRC Schools and the School Sponsors have also obtained all material approvals and finished all registration as required by the PRC laws and regulations and have the capacity to carry out business operations in accordance with their licenses and approvals;

(b) the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts are legal, valid and binding on the parties thereto, enforceable under the PRC laws and regulations, except that the Structured Contracts provide that the arbitral body may award remedies over the shares and/or assets of the PRC Schools and/or the School Sponsors, injunctive relief and/or winding-up of the PRC Schools and/or School Sponsors, and that the courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under the PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting the assets of or equity interest in the PRC Schools and/or the School Sponsors in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognizable or enforceable in China, and do not, individually or collectively, constitute breach of any PRC laws and regulations and will not be deemed invalid or ineffective under those laws and regulations; in particular, the Structured Contracts do not violate the provisions of the PRC Contract Law including "concealing illegal intentions with a lawful form," the General Principles of the PRC Civil Law and other applicable PRC laws and regulations;

(c) each of the Structured Contracts is not in violation of provisions of the articles of association of the PRC Schools and the School Sponsors and Tibet Kepei;

(d) each of the Structured Contracts is enforceable under the PRC laws and regulations. Entering into and the performance of the Structured Contracts do not require any approval or authorization from the PRC governmental authorities, except that: (i) the pledge of any equity interest in the School Sponsors in favor of Tibet Kepei is subject to registration requirements with the Administration of Industry and Commerce Department; (ii) the transfer of the school sponsor's interests in the PRC Schools and/or equity interest in the School Sponsors contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable PRC laws; (iii) the transfer of equity interest in the School Sponsors contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable laws and (iv) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Structured Contracts are subject to applications to the competent PRC courts for recognition and enforcement;

(e) neither Tibet Kepei nor the Company is obligated to share the losses of the PRC Schools and/or the School Sponsors or provide financial support to the PRC Schools and/or the School Sponsors. Each of the PRC Schools and/or the School Sponsors is solely liable for its own debts and losses with assets and properties owned by itself;

(f) the consummation of the contemplated listing of the Shares on the Stock Exchange does not violate the M&A Rules; and

(g) a private school that does not require reasonable return cannot distribute reasonable returns to its school sponsor. No current national PRC laws or regulations or regulations in Guangdong Province stipulate any proportion and/or amount limit for a reasonable return. Furthermore, in Guangdong Province, whether the school chooses to require reasonable returns or not has no adverse impact on the payment of service fees by the PRC Schools to Tibet Kepei.

For further details of the Structured Contracts, please refer to the section headed "Structured Contracts" in the Prospectus.

G. Risks associated with the Structured Contracts and the actions taken to mitigate the risks

The Group entered into the Structured Agreements through its wholly-owned subsidiary, Tibet Kepei, pursuant to which all economic benefits arising from the business of the PRC Consolidated Affiliated Entities will be transferred to Tibet Kepei to the extent permitted by the PRC laws and regulations by means of services fees payable by the PRC Consolidated Affiliated Entities to Tibet Kepei.

Foreign investment in the education industry in the PRC is extensively regulated and subject to numerous restrictions. The Company has been and are expected to continue to be dependent on the Structured Contracts to operate its education business. If the Structured Contracts that establish the structure for operating the Group's China business are found to be in violation of any existing or future PRC laws, rules, regulations or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities, including the Ministry of Education ("MOE"), would have broad discretion in dealing with such violations, including:

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

If any of the above penalties are imposed on the Company, its business, financial condition and results of operations may be materially and adversely affected.

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

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

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

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

(d) the Company and the Directors undertake to provide periodic updates in its annual and interim reports regarding (i) the Qualification Requirement; and (ii) the Company's status of compliance with the Foreign Investment Law;

(e) the Company will engage external legal advisors or other professional advisors, if necessary to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of Tibet Kepei and the PRC Schools and/or the School Sponsors to deal with specific issues or matters arising from the Structured Contracts.

In addition, notwithstanding that the executive Director, Mr. Ye Nianqiao is also one of the Registered Shareholders, we believe that the Directors are able to perform their roles in the Group independently and the Group is capable of managing its business independently after the Listing under the following measures:

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

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

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

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

H. Material changes

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

I. Unwinding of the Structured Contracts

As of the date of this annual report, there has not been any unwinding of any Structured Contracts, nor has there been any failure to unwind any Structured Contracts when the restrictions that led to the adoption of the Structured Contracts are removed. For more details, please refer to the section headed "Structured Contracts – Termination of the Structured Contracts" of the Prospectus. In the event that the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), Tibet Kepei will exercise the Equity Call Option in full to unwind the Structured Contracts so that the Company will be able to directly operate the schools without using the Structured Contracts.

For details of the above Structured Contracts, please refer to "Structured Contracts" and "Connected Transactions" in the Prospectus.

Confirmation of independent non-executive Directors

The independent non-executive Directors have reviewed the above-mentioned continuing connected transactions (the "Continuing Connected Transactions") and confirmed that, during the relevant financial year:

(i) the Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Group;

(ii) the Continuing Connected Transactions are on normal commercial terms; and

(iii) the Continuing Connected Transactions have been entered into in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation of the Company's auditor

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

After performing the procedures related to continuing connected transactions, Ernst & Young confirmed that:

a. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;

b. for transactions involving the provision of services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

c. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. nothing has come to their attention that causes them to believe that dividends or other distributions have been made by the PRC Consolidated Affiliated Entities to the Registered Shareholders which are not otherwise subsequently assigned or transferred to the Group.

Save as disclosed in this annual report, as at the date of this annual report, the Company had no connected transactions or continuing connected transactions which are required to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions.

RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the Reporting Period are set out in note 36 to the consolidated financial statements. The transactions do not fall under "Connected Transactions" or "Continuing Connected Transactions" in accordance with Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

NON-COMPETITION UNDERTAKING

As of 31 August 2021, the Controlling Shareholders (as defined in the Listing Rules) do not have any other interest in any business that may, directly or indirectly, compete with the business of the Group.

Under the Structured Contracts, Mr. Ye Nianqiao has provided certain non-competition deed in favor of the Company (the "Non-competition Deed"). For details of the Non-competition Deed, please refer to the Prospectus.

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

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

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) where the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

CORPORATE GOVERNANCE

Details are set out in the Corporate Governance Report on pages 76 to 93 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

SIGNIFICANT LEGAL PROCEEDINGS AND COMPLIANCE

During the Reporting Period, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

During the Reporting Period and up to the date of this annual report, to the best knowledge of the Directors, the Group complied with laws and regulations in all significant aspects.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") had reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements prepared in accordance with HKFRSs for the eight months ended 31 August 2021.

AUDITOR

Ernst & Young was appointed as the auditor of the Company for the eight months ended 31 August 2021. The accompanying consolidated financial statements prepared in accordance with HKFRSs have been audited by Ernst & Young.

The Company has been hiring Ernst & Young since the date of preparation for its Listing. Ernst & Young retires and a resolution for its reappointment as auditor of the Company will be proposed at the forthcoming AGM.

POST BALANCE SHEET EVENTS

The Group had no significant event after the Report Period required to be disclosed.

On behalf of the Board

Ye Nianqiao
Chairman
Hong Kong, 29 November 2021

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the eight months ended 31 August 2021.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. Save for a deviation from code provision A.2.1 of the CG Code, the Company has complied with all applicable code provisions under the CG Code during the eight months ended 31 August 2021. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

THE RESPONSIBILITIES OF THE BOARD

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

All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Board Composition

As at the date of this annual report, the Board comprises nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors as follows:

Name	Position
Ye Nianqiao	Executive Director *(Chairman and chief executive officer)*
Zhang Xiangwei	Executive Director
Zha Donghui	Executive Director
Li Yan	Executive Director
Ye Xun	Executive Director
Wang Chuanwu	Non-executive Director
Xu Ming	Independent Non-executive Director
Deng Feiqi	Independent Non-executive Director
Lu Chao	Independent Non-executive Director

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

During the eight months ended 31 August 2021, the Board has met at all times the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board. As each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules during the eight months ended 31 August 2021, the Company considers all of them to be independent parties.

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

Except for Mr. Lu Chao, each of the executive Directors, non-executive Director and independent non-executive Directors has entered into a service contract with us for an initial fixed term of three years commencing from 26 April 2018 and will automatically continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Mr. Lu Chao, being the independent non-executive Director of the Company, has entered into a service contract with the Company for a term of three years with effect from the date of appointment at 2 August 2021 and will automatically continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

The Board adopted a diversity policy which sets out the objective and provides that all appointments of the members of the Board should be made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective. The Nomination Committee will review and assesses the composition of the Board and make recommendations to the Board on appointment of members of the Board. Meanwhile, the Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, professional experience, skills, knowledge, education background, age, gender, cultural and ethnicity and length of service, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on the Board.

The Nomination Committee has reviewed such board diversity policy for the eight months ended 31 August 2021. During the Reporting Period, the Company's existing composition of independent non-executive Directors as well as its senior management team are highly diverse in age, educational background and professional experience.

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

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

Induction and Continuous Professional Development

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

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

The record of professional training received by the Directors during the Reporting Period is as follows:

Name of Directors	Nature of Continuous Professional Development Programmes
Executive Directors	
Ye Nianqiao	A/B/C/D
Zhang Xiangwei	A/B/C/D
Zha Donghui	A/C/D
Li Yan	A/C/D
Ye Xun	A/C/D
Non-executive Director	
Wang Chuanwu	A/C/D
Independent Non-executive Directors	
Xu Ming	A/C/D
Deng Feiqi	A/C/D
Li Xiaolu (resigned on 2 August 2021)	A/C/D
Lu Chao (appointed on 2 August 2021)	A/C/D

Notes:

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

B: Giving talks in the seminars and/or meetings and/or forums

C: Attending training relevant to the Company's business conducted by lawyers

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

Chairman and Chief Executive Officer

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

Mr. Ye Nianqiao currently serves as the chairman of the Board, executive Director and chief executive officer and general manager of the Company. Throughout the Group's business history, Mr. Ye has been the key leadership figure of the Group who has been primarily involved in the strategic development, overall operational management and major decision making of the Group. Taking into account the continuation of the implementation of the Company's business plans, the Directors consider Mr. Ye is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Company and the Shareholders as a whole.

Appointment and Re-election of Directors

In accordance with the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

At every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

None of the Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

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

Nomination Policy

A director nomination policy (the "Nomination Policy") adopted by the Board aims to enhancing transparency and accountability of the nomination process of Directors and enabling the Company to ensure the Board has a balance of skills and experience and diversity of perspectives appropriate to the requirements of the Company's business.

Under the Nomination Policy, the Nomination Committee is responsible for selecting suitable candidates and giving recommendations to the Board on appointment of Directors. The selection criteria for assessing the suitability of a proposed candidate which shall be taken as reference by the Nomination Committee includes: character and integrity, professional qualifications, skills, knowledge and experience that are relevant to the Company's business and strategy, the potential contribution to the Board from the diversity aspects, and any other factors as the Nomination Committee may deem fit to consider in the best interests of the Company and its Shareholders. These above selection criteria are not exhaustive and conclusive and the Nomination Committee has the discretion to nominate any person as it considers appropriate.

Under the Nomination Policy, upon obtaining the required information from the candidate, the Nomination Committee shall convene a meeting to discuss and consider the recommendation of the candidate to the Board for appointment as a Director. The Nomination Committee shall review whether the candidate is qualified to be appointed, elected or re-elected into the Board under the relevant Listing Rules and the policies of the Company. In particular, the Nomination Committee shall consider the potential contribution a Candidate can bring to the Board in terms of qualification, skills, experience, independence and gender diversity.

Nomination Process of the Appointment of New Director

1. The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

2. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship (where applicable).

3. For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above and, where appropriate, make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

Board Meetings

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

For other Board and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are dispatched to the Directors or Board Committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings are kept by the company secretary with copies circulated to all Directors for information and records.

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

During the Reporting Period, four Board meetings and one annual general meeting were held and the attendance of each Director at the meetings is set out in the table below:

Directors	Board meeting(s)	Attended/ Eligible to attend Annual general meeting
Executive Directors		
Ye Nianqiao	4/4	1/1
Zhang Xiangwei	4/4	1/1
Zha Donghui	4/4	1/1
Li Yan	4/4	1/1
Ye Xun	4/4	1/1
Non-executive Director		
Wang Chuanwu	4/4	1/1
Independent Non-executive Directors		
Xu Ming	4/4	1/1
Deng Feiqi	4/4	1/1
Dr. Li Xiaolu *(resigned on 2 August 2021)*	2/2	1/1
Lu Chao *(appointed on 2 August 2021)*	2/2	N/A

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period.

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

Delegation by the Board

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

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

Corporate Governance Function

The Board recognizes that corporate governance should be the collective responsibility of the Directors the summary of their work during the eight months ended 31 August 2021 is as follows:

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

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

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

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

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

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

BOARD COMMITTEES

Audit Committee

The Audit Committee comprises three members, including two independent non-executive Directors namely Dr. Xu Ming (chairman) and Dr. Deng Feiqi and one non-executive Director namely Mr. Wang Chuanwu.

The principal duties of the Audit Committee include the following:

1. To review the relationship with the auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of the auditor;

2. To review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or the auditor before submission to the Board; and

3. To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures, including the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

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

During the Reporting Period, the Audit Committee held three meetings and the attendance of the Audit Committee members at these meetings is set out in the table below:

Name of Directors	Attended/ Eligible to attend
Dr. Xu Ming *(chairman)*	3/3
Mr. Wang Chuanwu	3/3
Dr. Deng Feiqi	3/3

During the Reporting Period, the Audit Committee reviewed the annual results and reports for the year ended 31 December 2020 and the interim results and report for the six months ended 30 June 2021, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditor. Having reviewed the effectiveness of the external audit process as well as the independence, the Audit Committee is satisfied with this relationship.

The Group's annual audited results for the eight months ended 31 August 2021 have been reviewed by the Audit Committee on 29 November 2021.

Nomination Committee

The Nomination Committee currently comprises three members, including one executive Director namely Mr. Ye Nianqiao (chairman) and two independent non-executive Directors namely Dr. Deng Feiqi and Mr. Lu Chao. The principal duties of the Nomination Committee include the following:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive Directors;

4. to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors, in particular the chairman and the chief executive officer; and

5. perform tasks assigned by the Board from time to time.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

The Company recognizes and embraces the benefits of having a diverse Board to enhance its performance and has adopted a board diversity policy aiming to set out the approach to achieve diversity on the Board. The implementation of the policy is monitored by the Nomination Committee. In designing the Board's composition, board diversity has been considered from a number of measurable objectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will continue to monitor the implementation of the board diversity policy and will review the board diversity policy periodically to ensure its continued effectiveness.

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

During the Reporting Period, the Nomination Committee held two meetings to review the nomination procedures and the composition and diversity of the Board and was satisfied with the current procedures and composition.

The attendance of each Nomination Committee members at this meeting is set out in the table below:

Name of Directors	Attended/ Eligible to attend
Mr. Ye Nianqiao *(chairman)*	2/2
Dr. Deng Feiqi	2/2
Dr. Li Xiaolu *(resigned on 2 August 2021)*	1/1
Mr. Lu Chao *(appointed on 2 August 2021)*	1/1

Remuneration Committee

The Remuneration Committee comprises three members, including two independent non-executive Directors namely Dr. Deng Feiqi (chairman) and Mr. Lu Chao, and one executive Director namely Mr. Zha Donghui. The principal duties of the Remuneration Committee include the following:

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

2. to review and approve the management's remuneration proposals with reference to the corporate goals and objectives determined by the Board;

3. to determine the remuneration packages of individual executive Directors and senior management. These include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

4. to make recommendations to the Board on the remuneration of non-executive Directors;

5. to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

6. to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

7. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

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

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

During the Reporting Period, the Remuneration Committee held two meetings in order to reviewed and discussed the remuneration policy and structure of the Company, share award scheme, and the remuneration packages of the executive Directors and senior management and other related matters of the Company. The Remuneration Committee ensured that no individual or any of his associates was involved in determining his own remuneration. It also ensured that remuneration awards were determined by reference to the performance of the individual and the Company and were aligned to the market practice and conditions, the Company's goals and strategies. No changes on the policy were recommended by the Remuneration Committee.

The attendance of each Remuneration Committee members at this meeting is set out in the table below:

Name of Directors	Attended/ Eligible to attend
Dr. Deng Feiqi *(chairman)*	2/2
Mr. Zha Donghui	2/2
Dr. Li Xiaolu *(resigned on 2 August 2021)*	1/1
Mr. Lu Chao *(appointed on 2 August 2021)*	1/1

Remuneration of Directors and Senior Management

Details of the remuneration by band of the members of the Board and senior management of the Company, whose biographies are set out on pages 31 to 36 of this annual report, for the eight months ended 31 August 2021 are set out below:

Remuneration band	Number of individual
RMB4 million to RMB6 million	1
RMB2 million to RMB4 million	5
RMB0 to RMB2 million	5

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the eight months ended 31 August 2021 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

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

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

The statement by the auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 94 to 102 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining an adequate risk management and internal control systems to safeguard shareholder investments and Company assets and reviewing the effectiveness of such systems on an annual basis.

The Group's internal audit department plays a major role in monitoring the internal governance of the Company. The major tasks of the internal audit department are reviewing the internal control of the Company and conducting comprehensive audits of all branches and subsidiaries of the Company on a regular basis.

Under the Company's risk management and internal control structure, the management is responsible for the design, implementation and maintenance of risk management and internal control systems to ensure, amongst others, (i) appropriate policies and control procedures have been designed and established to safeguard the Group's assets against improper use or disposal; (ii) relevant laws, rules and regulations are adhered to and complied with; and (iii) that reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements.

The main features of risk management and internal control structure of the Company are as follows:

- heads of major operation units or departments manage risks through identification and mitigating risks identified in accordance with the internal guidelines approved by the Board and the Audit Committee;
- the management ensures appropriate actions are taken on major risks affecting the Group's businesses and operations; and
- internal auditors provide independent assurance to the Board, the Audit Committee and the management concerning the effectiveness of risk management and internal control systems.

During the Reporting Period, major works performed by the management in relation to risk management and internal control include the following:

- each major operation unit or department was responsible for daily risk management activities, including identifying major risks that may impact on the Group's performance; assessing and evaluating the identified risks according to their likely impacts and the likelihood of occurrence; formulating and implementing measures, controls and response plans to manage and mitigate such risks;

- the management, together with the controller's department, monitored and reviewed the risk management and internal control systems on an ongoing basis and reported to the Audit Committee regarding the status of the systems;

- the management periodically followed-up and reviewed the implementation of the measures, controls and response plans to major risks identified in order to make sure that sufficient attention, monitor and responses were paid to all major risks identified;

- the management reviewed the risk management and internal control systems periodically to identify process and control deficiencies, and designed and implemented corrective actions to address such deficiencies; and

- the management ensured appropriate procedures and measures such as safeguarding assets against unauthorized use or disposition, controlling capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publications, etc. are in place.

The internal audit function of the Company monitored the internal governance of the Company and provided independent assurances as to the adequacy and effectiveness of the Company's risk management and internal control systems. The senior executive in charge of the internal audit function reported directly to the Audit Committee. The internal audit reports on control effectiveness were submitted to the Audit Committee in line with agreed audit plan approved by the Board. All Directors were informed of the findings of internal audit assignments. During the Reporting Period, the internal audit function carried out an analysis and independent appraisal of the adequacy and effectiveness of the risk management and internal control systems of the Company through, amongst others, examination of risk-related documentation prepared by operation units and the management and conducting interviews with employees at all levels. The senior executives in charge of the internal audit function attended meetings of the Audit Committee to explain the internal audit findings and responded to queries from members of the Audit Committee.

The Company has maintained internal guidelines for ensuring that inside information is disseminated to the public in an equal and timely manner in accordance with the applicable laws and regulations. Senior executives of the investor's relation, corporate affairs and financial control functions of the Group are delegated with responsibilities to control and monitor the proper procedures to be observed on the disclosure of inside information. Access to inside information is at all times confined to relevant senior executives and confined on "need-to-know" basis. Relevant personnel and other professional parties involved are reminded to preserve confidentiality of the inside information until it is publicly disclosed. Other procedures such as pre-clearance on dealing in Company's securities by the Directors and designated members of the management, notification of regular blackout period and securities dealing restrictions to Directors and employees, and identification of project by code name have also been implemented by the Company to guard against possible mishandling of inside information within the Group.

The Company has adopted arrangement to facilitate employees and other stakeholders to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters. The Audit Committee reviewed such arrangement regularly and ensured that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

During the Reporting Period, the Audit Committee reviewed the effectiveness of the risk management and internal control systems of the Company. The annual review included works such as (i) review of reports submitted by heads of operation units or departments and the management regarding the implementation of the risk management and internal control systems; (ii) periodic discussions with the management and senior executives regarding the effectiveness of the risk management and internal control systems and the works of the internal audit function. Such discussions include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions; (iii) evaluation on the scope and quality of management's ongoing monitoring of the risks management and internal control systems; (iv) review of the effectiveness of the internal audit function to ensure coordination within the Group and between the Company's internal and external auditors and to ensure the internal audit function is adequately resourced and has appropriate standing within the Group; and (v) made recommendations to the Board and the management on the scope and quality of the management's ongoing monitoring of the risk management and internal control systems.

The Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group and considered such systems to be effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

AUDITOR'S REMUNERATION

The Company appointed Ernst & Young as the independent auditor for the eight months ended 31 August 2021. For the eight months ended 31 August 2021, the total fees paid/payable, including disbursements, in respect of the audit and non-audit services provided by the Group's independent auditor are set out below:

Item of auditor's service	Amount RMB'000
Annual audit service	3,500
Non-audit service – due diligence service	380
Total	3,880

JOINT COMPANY SECRETARIES

Ms. Li Yan ("Ms. Li"), being one of the joint company secretaries of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

Ms. Leung Suet Wing ("Ms. Leung") has resigned as a joint company secretary of the Company due to other work arrangement with effect from 15 July 2021. Ms. Leung confirms that there is no disagreement between herself and the Board and there is no other matter in relation to her resignations that needs to be brought to the attention to the shareholders of the Company. And Mr. Lee Kwok Fai Kenneth ("Mr. Lee"), a director and head of the corporate secretarial services division of TMF Hong Kong Limited. (a company secretarial services provider), has been appointed as one of the joint company secretaries with effect from 15 July 2021. Mr. Lee will continue to assist Ms. Li to discharge her duties as a joint company secretary of the Company. Ms. Li is the primary contact person of the Company.

During the Reporting Period, Ms. Li and Mr. Lee have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

SHAREHOLDERS' RIGHTS

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

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

CONVENING OF EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

Pursuant to the Articles of Association, a general meeting shall be convened by the Company on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the headquarters of the Company at Qifu Road, Gaoyao District, Zhaoqing City, Guangdong Province, the PRC (email address: ir@kepeieducation.com).

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Company has adopted the amended and restated memorandum and articles of association of the Company by special resolution passed on 10 January 2019 and effective on 25 January 2019. Saved as disclosed, there was no change in the memorandum and articles of association of the Company during the Reporting Period.

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of China Kepei Education Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 103 to 208, which comprise the consolidated statement of financial position as at 31 August 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period 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 period then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters (continued)

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

Key audit matter	How our audit addressed the key audit matter
Income tax	
As set out in note 10 to the financial statements, according to the decision (the "Decision") of the Standing Committee of the National People's Congress on Amending the Private Schools Promotion Law 《全國人民代表大會常務委員會關於修改<中華人民共和國民辦教促進法>的決定》, which was promulgated on 7 November 2016, and came into force on 1 September 2017, private schools are no longer being classified as either schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns. Instead, the school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that schools providing nine-year compulsory education must be non-profit. On 14 May 2021, the State Council released the Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) with an effective date of 1 September 2021 (the "Implementation Rules"). The Implementation Rules are the detailed implementation rules of the Law for Promoting Private Education of the PRC. As at the date of approval of these financial statements, there was an absence of other detailed implementation rules which remain to be promulgated by the relevant local governments under the Decision and the Implementation Rules for clarification on the substantial uncertainties in the interpretation and implementation of the Decision with respect to various aspects of the operation of a private school, in particular, the respective preferential tax treatments that may be enjoyed by a for-profit private school and a non-profit private school and an implementation timetable. There was uncertainty brought by the Decision and the Implementation Rules.	The audit procedures included the following: • discussed with management to evaluate their interpretation of the tax laws and their assessment of the tax obligations of the PRC Schools for the current period; • evaluated management's assessment on the application of preferential tax or applicable tax rate to the respective schools; • discussed with the Group' s PRC external legal advisors to understand their view with respect to the interpretation of the existing applicable laws which would have an impact on the applicable tax on the respective schools; • obtained the Group's PRC external legal advisor's comments on the tax obligations applied onto the PRC Schools, in particular, whether or not the PRC Schools were required by their respective tax authorities to pay income tax by the period ended 31 August 2021 and whether the PRC Schools which enjoyed such preferential tax treatments were in compliance with applicable laws and regulations in China; • examined the historical tax returns filed to the relevant tax authorities and the historical tax compliance confirmations obtained, where appropriate;

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
As at the date of approval of these financial statements, the schools (the "PRC Schools") of the Group do not elect to be a for-profit private school or a non-profit private school. In accordance with the historical tax returns filed to the relevant tax authorities and the historical tax compliance confirmations obtained, the PRC Schools did not pay corporate income tax for the income from formal educational services and have enjoyed the preferential tax treatments since their establishment. As a result, no income tax expense was recognised for the income from the provision of educational services during the period. There were significant judgements involved in management's analysis and assessment, such as the assessment on the possible outcome of the tax provision based on historical experiences and interpretation of the relevant tax laws and regulations in respect of the preferential tax treatments enjoyed by the PRC Schools. Relevant disclosures are included in notes 3 and 10 to the financial statements.	• assessed any new policies, regulations or rules that have been introduced by the authorities, which might have an impact on the tax position taken by the Group up to the date of approval of these financial statements; • assessed the eligibility of the preferential tax treatments of the PRC Schools with the assistance of our internal tax specialist by reviewing the applicable tax laws and regulations, any new policies or rules, and historical tax returns filed to assess management's understanding and interpretation, and; • evaluated the adequacy of the Group's disclosures regarding income tax.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
Revenue mainly comprises the tuition fees and boarding fees from students, and these fees are collected through the official payment channels at the beginning of each academic year. Students' identity and the applicable program are registered with the relevant education authorities. Tuition and boarding fees are calculated by reference to the number of students and the annual fee of the applicable program for the academic year, and are recognised proportionately over the relevant period of the applicable program. The portion of tuition and boarding fees received from students but not earned is recorded as contract liabilities. Given the significant amount and volume of transactions and the risk of overstatement of revenue, we considered this as a key audit matter. The accounting policy for revenue recognition and disclosures of the amount of revenue are included in notes 2.4 and 5 to the financial statements.	The audit procedures included the following: • gained an understanding of the basis of revenue recognition and the overall process of transactions relating to revenue and evaluated the effectiveness of the controls designed and applied by the Group over the collection of tuition and boarding fees and the controls over the calculation of the contract liabilities and the corresponding amount of revenue; • performed analytical review to evaluate the revenue recognised regarding the tuition fees and boarding fees; • on a sampling basis, examined the relevant supporting documentation of tuition and boarding fees including students' registration forms, payment records, official student records registered with the relevant PRC education authorities, and the payment remittance receipts of tuition and boarding fees; • re-calculated the amount of revenue and contract liabilities recognised during the period; and • checked the number of newly enrolled students during the period to the enrolment approval by the relevant PRC education authorities, and the total number of students at the period end to the records on the China Credentials Verification website.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Acquisition of subsidiaries and impairment assessments of goodwill and other intangible assets with indefinite useful lives	
The Group undertook certain acquisitions during the current period, which were determined by the directors as business combinations. The acquisitions resulted in the recognition of goodwill of RMB692,121,000 and other intangible assets with indefinite useful lives of RMB356,000,000 respectively, as at the date of acquisition. Management performs impairment assessment annually or when indicators of potential impairment are identified. No impairment charge has been recorded against goodwill and other intangible assets with indefinite useful lives during the current period. These acquisitions were material to the Group and involved significant judgements and estimates in relation to the purchase price allocations. Management were assisted by external independent valuation specialists in determining the fair values of the identifiable assets and liabilities at the acquisition dates which involved a number of assumptions.	The audit procedures included the following: • obtained the respective agreements relating to the acquisitions and checked the payments of purchase consideration as set out in these agreements; • understood the nature of the intangible assets acquired and inquired management for the commercial rationality that goodwill has arisen; • evaluated the competence, capabilities and objectivity of the external independent valuation specialists engaged by management; • involved our internal valuation expert to assist us in assessing the valuations performed by the external independent valuation specialists in respect of the purchase price allocations and the discount rates applied by management in calculating the value in use for certain impairment assessments as at 31 August 2021; • assessed the key assumptions adopted for the purchase price allocations and impairment assessments, by checking historical budgets against historical results and management's expectations for the market development, industry index and other sources of external information; • tested source data on a sample basis to supporting evidence, such as approved budgets and available market data;

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
In assessing impairment of goodwill and other intangible assets with indefinite useful lives at 31 August 2021, respective recoverable amounts of the cash-generating units ("CGUs") or groups of CGUs have been determined by the management of the Group based on the calculation of value in use. Certain assumptions used in the impairment assessments were subjective and involved significant judgements and estimates, and they included: • the future cash flow growth assumptions used in the Group's most recent budgets for the next five years approved by management, including future industry development, pricing strategies, market supply and demand and gross margins; • the growth rate used beyond the period covered by the budgets; and • the discount rate applied to future cash flows. Relevant disclosures are included in notes 3, 15, 16 and 31 to the financial statements.	• evaluated the sensitivity analysis of the key assumptions and estimates adopted and assessed the impact of changes in the key assumptions and estimates on the conclusions reached in the impairment assessments and whether there were any indicators of management bias; and • evaluated the adequacy of the disclosures in respect of the acquisition of subsidiaries and impairment assessments of goodwill and other intangible assets with indefinite useful lives in the financial statements with reference to the requirements of the prevailing accounting standards.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Ching Man.

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

29 November 2021

Consolidated Statement of Profit or Loss

Eight months ended 31 August 2021

	Notes	**Eight months ended 31 August 2021 RMB'000**	Year ended 31 December 2020 RMB'000
REVENUE	5	**671,295**	867,251
Cost of sales		**(247,021)**	(261,194)
Gross profit		**424,274**	606,057
Other income and gains	5	**45,529**	128,928
Selling and distribution expenses		**(23,533)**	(22,892)
Administrative expenses		**(100,165)**	(111,486)
Other expenses		**(1,370)**	(24,316)
Finance costs	7	**(29,222)**	(8,875)
Share of losses of:			
A joint venture		**(421)**	(118)
An associate		**(2,676)**	(5,452)
PROFIT BEFORE TAX	6	**312,416**	561,846
Income tax (expense)/credit	10	**(40,264)**	2,944
PROFIT FOR THE PERIOD/YEAR		**272,152**	564,790
Attributable to:			
Owners of the parent		**272,152**	564,790
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic			
– For profit for the period/year		**RMB0.1360**	RMB0.2823
Diluted			
– For profit for the period/year		**RMB0.1354**	RMB0.2821

Consolidated Statement of Comprehensive Income

Eight months ended 31 August 2021

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
PROFIT FOR THE PERIOD/YEAR	**272,152**	564,790
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income:		
Changes in fair value	**(38,023)**	(16,783)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(38,023)**	(16,783)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD/YEAR	**(38,023)**	(16,783)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	**234,129**	548,007
Attributable to:		
Owners of the parent	**234,129**	548,007

Consolidated Statement of Financial Position

31 August 2021

	Notes	31 August 2021 RMB'000	31 December 2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,992,446**	1,712,392
Right-of-use assets	14(a)	**768,614**	201,483
Goodwill	15	**692,121**	–
Other intangible assets	16	**401,251**	–
Investment in a joint venture	17	**–**	2,052
Investment in an associate	18	**–**	136,243
An equity investment designated at fair value through other comprehensive income	19	**7,847**	45,870
Prepayments, other receivables and other assets	21	**324,439**	454,885
Time deposits	23	**25,000**	–
Deferred tax assets	26	**–**	4,762
Total non-current assets		**5,211,718**	2,557,687
CURRENT ASSETS			
Trade receivables	20	**43,420**	34,128
Prepayments, other receivables and other assets	21	**149,251**	212,221
Financial assets at fair value through profit or loss	22	**63,714**	59,833
Amounts due from an associate	36(c)	**–**	158,329
Time deposits	23	**50,000**	100,000
Cash and cash equivalents	23	**1,228,699**	1,294,204
Total current assets		**1,535,084**	1,858,715
CURRENT LIABILITIES			
Contract liabilities	5	**330,147**	524,366
Other payables and accruals	24	**1,498,048**	170,406
Dividend payable		**164,295**	–
Interest-bearing bank and other borrowings	25	**810,779**	265,015
Lease liabilities	14(b)	**1,666**	1,609
Tax payable		**2,850**	2,850
Deferred income	27	**1,514**	996
Total current liabilities		**2,809,299**	965,242

Consolidated Statement of Financial Position (continued)

31 August 2021

	Notes	31 August 2021 RMB'000	31 December 2020 RMB'000
NET CURRENT (LIABILITIES)/ASSETS		**(1,274,215)**	893,473
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,937,503**	3,451,160
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	25	**645,294**	262,258
Lease liabilities	14(b)	**6,315**	7,434
Deferred tax liabilities	26	**35,502**	–
Deferred income	27	**9,983**	7,741
Total non-current liabilities		**697,094**	277,433
Net assets		**3,240,409**	3,173,727
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	**137**	137
Reserves	30	**3,240,272**	3,173,590
Total equity		**3,240,409**	3,173,727

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Ye Nianqiao
Director

Li Yan
Director

Consolidated Statement of Changes in Equity

Eight months ended 31 August 2021

	Attributable to owners of the parent								
	Share capital RMB'000 Note 28	Shares held for the restricted share award scheme RMB'000 Note 29	Capital reserve – share premium RMB'000 Note 30(a)	Capital reserve – others RMB'000 Note 30(b)	Statutory and other surplus reserves RMB'000 Note 30(c)	Restricted share award reserve RMB'000 Note 29	Fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2020	136	–	872,069	14,231	492,569	–	24,198	1,386,710	2,789,913
Profit for the year	–	–	–	–	–	–	–	564,790	564,790
Other comprehensive loss for the year:									
Changes in fair value of an equity investment at fair value through other comprehensive income	–	–	–	–	–	–	(16,783)	–	(16,783)
Total comprehensive income for the year	–	–	–	–	–	–	(16,783)	564,790	548,007
Final 2019 dividend declared	–	–	(183,205)	–	–	–	–	–	(183,205)
Issue of shares	1	(82,326)	82,325	–	–	–	–	–	–
Share issue expenses	–	–	(36)	–	–	–	–	–	(36)
Equity-settled restricted share award scheme (note 29)	–	–	–	–	–	19,048	–	–	19,048
Transfer from retained profits	–	–	–	–	146,469	–	–	(146,469)	–
At 31 December 2020	137	(82,326)	771,153	14,231	639,038	19,048	7,415	1,805,031	3,173,727

Consolidated Statement of Changes in Equity (continued)

Eight months ended 31 August 2021

	Attributable to owners of the parent								
	Share capital RMB'000 Note 28	Shares held for the restricted share award scheme RMB'000 Note 29	Capital reserve – share premium RMB'000 Note 30(a)	Capital reserve – others RMB'000 Note 30(b)	Statutory and other surplus reserves RMB'000 Note 30(c)	Restricted share award reserve RMB'000 Note 29	Fair value reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2021	137	(82,326)	771,153	14,231	639,038	19,048	7,415	1,805,031	3,173,727
Profit for the period	–	–	–	–	–	–	–	272,152	272,152
Other comprehensive loss for the period:									
Changes in fair value of an equity investment at fair value through other comprehensive income	–	–	–	–	–	–	(38,023)	–	(38,023)
Total comprehensive income for the period	–	–	–	–	–	–	(38,023)	272,152	234,129
Final 2020 dividend declared (note 11)	–	–	(199,715)	–	–	–	–	–	(199,715)
Equity-settled restricted share award scheme (note 29)	–	32,930	–	(1,875)	–	1,213	–	–	32,268
Transfer from retained profits	–	–	–	–	38,735	–	–	(38,735)	–
At 31 August 2021	137	(49,396)*	571,438*	12,356*	677,773*	20,261*	(30,608)*	2,038,448*	3,240,409

* These reserve accounts comprise the consolidated reserves of RMB3,240,272,000 (31 December 2020: RMB3,173,590,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Eight months ended 31 August 2021

	Notes	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**312,416**	561,846
Adjustments for:			
Finance costs	7	**29,222**	8,875
Exchange loss, net	6	**1,218**	24,216
Share of losses of a joint venture and an associate		**3,097**	5,570
Remeasurement gain of previously held equity interests in an associate	5	**(12,433)**	–
Remeasurement loss of previously held equity interests in a joint venture	6	**142**	–
Bank interest income	5	**(9,169)**	(11,682)
Interest income on loans to an associate	5	**(3,231)**	(8,086)
Interest expense on other borrowings	5	**3,231**	8,086
Dividend income from an equity investment designated at fair value through other comprehensive income	5	**(830)**	(1,180)
Fair value gains:			
Financial assets at fair value through profit or loss	5	**(3,881)**	(10,091)
Government grants related to assets released	5	**(917)**	(733)
Gain on disposal of items of property, plant and equipment	6	**–**	(54)
Depreciation of property, plant and equipment	13	**70,167**	73,269
Depreciation of right-of-use assets	14	**6,596**	6,405
Amortisation of other intangible assets	16	**3,860**	–
Provision for expected credit losses of trade receivables	20	**1,237**	2,523
Equity-settled restricted share award expenses		**32,268**	19,048
		432,993	678,012
Increase in trade receivables		**(8,862)**	(6,993)
Increase in prepayments, other receivables and other assets		**(43,371)**	(182,333)
Increase in other payables and accruals		**3,503**	23,620
(Decrease)/increase in contract liabilities		**(269,783)**	112,496
Cash generated from operations		**114,480**	624,802
Bank interest received		**7,508**	11,011
PRC profits tax refunded		**–**	426
Net cash flows from operating activities		**121,988**	636,239

	Notes	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
Net cash flows from operating activities		**121,988**	636,239
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received from financial assets at fair value through profit or loss		**–**	122
Dividend received from an equity investment designated at fair value through other comprehensive income		**830**	1,180
Advances for acquisition of subsidiaries		**(200,000)**	(450,000)
Acquisition of subsidiaries	31	**(182,824)**	–
Loan to an entrusted school	21	**(163,177)**	–
Advances of loans to an associate		**–**	(150,000)
Purchases of items of property, plant and equipment		**(305,635)**	(230,814)
Proceeds from disposal of items of property, plant and equipment		**20**	1,051
Receipt of government grants		**1,500**	5,501
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	272,238
Decrease/(increase) in time deposits and pledged deposits		**25,000**	(100,000)
Net cash flows used in investing activities		**(824,286)**	(650,722)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share issue expenses		**–**	(36)
New bank and other borrowings		**630,475**	427,273
Increase in an amount due to a third party		**63,080**	–
Interest paid		**(19,062)**	(21,441)
Principal portion of lease payments		**(1,062)**	(1,437)
Dividends paid		**(35,420)**	(183,205)
Net cash flows from financing activities		**638,011**	221,154

	Note	**Eight months ended 31 August 2021 RMB'000**	Year ended 31 December 2020 RMB'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(64,287)**	206,671
Cash and cash equivalents at beginning of period/year		**1,294,204**	1,111,749
Effect of foreign exchange rate changes, net		**(1,218)**	(24,216)
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR	23	**1,228,699**	1,294,204
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**1,203,699**	935,987
Non-pledged time deposits with original maturity of less than three months when acquired	23	**25,000**	358,217
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		**1,228,699**	1,294,204

1. CORPORATE AND GROUP INFORMATION

China Kepei Education Group Limited (the "Company") was incorporated in the Cayman Islands on 24 August 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the registered office of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited on 25 January 2019.

The principal activity of the Company is investment holding. During the period, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in providing private higher education services in the People's Republic of China (the "PRC").

In the opinion of the directors of the Company (the "Directors"), the holding company and the ultimate holding company of the Company is Qiaoge Company Limited, which was incorporated in the British Virgin Islands (the "BVI").

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Huanan Education Group Limited	BVI	US$50,000	100%	–	Investment holding
China Kepei Education (Hong Kong) Limited	Hong Kong	HK$1	–	100%	Investment holding
International Academy of Southern California	Milpitas, California, USA	HK$10,000	–	100%	Dormant
Zhaoqing Kepei Information Technology Company Limited 肇慶科培信息科技有限公司 ("Zhaoqing Kepei Information Technology")*^	PRC/Mainland China	RMB300,000,000	–	100%	Education management and provision of education services
Tibet Kepei Information Technology Company Limited 西藏科培信息科技有限公司 ("Tibet Kepei")*^	PRC/Mainland China	RMB1,000,000	–	100%	Education management and provision of education services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zhaoqing Kepei Education Investment Development Company Limited 肇慶市科培教育投資開發有限公司 ("Zhaoqing Kepei")*#	PRC/Mainland China	RMB200,000,000	–	100%	Investment holding
Huaibei Kepei Education Investment Development Company Limited 淮北科培教育投資開發有限公司 ("Huaibei Kepei")#&	PRC/Mainland China	RMB316,000,000	–	100%	Investment holding
Ganzhou Xuteng Enterprise Management Co., Ltd. 贛州序騰企業管理有限公司 ("Ganzhou Xuteng")#&	PRC/Mainland China	RMB200,000,000	–	100%	Investment holding
Ma'anshan Fengzhi Education Technology Co., Ltd. 馬鞍山灃志教育科技有限公司 ("Ma'anshan Fengzhi")#	PRC/Mainland China	RMB200,000,000	–	100%	Investment holding
Harbin Huarui Industrial Co., Ltd. 哈爾濱華瑞實業有限公司 ("Huarui Industrial")#&	PRC/Mainland China	RMB11,000,000	–	100%	Investment holding
Research Institute of Intelligent Manufacturing (Zhaoqing Gaoyao) Co., Ltd. 智能製造研究院("肇慶高要") 有限公司 ("Research Institute")#&	PRC/Mainland China	RMB5,000,000	–	100%	Technology promotion and application service industry
Guangdong Polytechnic College 廣東理工學院#	PRC/Mainland China	RMB90,000,000	–	100%	Provision of undergraduate and junior college education services

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zhaoqing Science and Technology Secondary Vocational School 肇慶科技中等職業學校*#	PRC/Mainland China	RMB2,000,000	–	100%	Provision of secondary vocational education services
Harbin Institute of Petroleum 哈爾濱石油學院#&	PRC/Mainland China	RMB55,000,000	–	100%	Provision of undergraduate education services
Huaibei Polytechnic College 淮北理工學院#	PRC/Mainland China	RMB250,000,000	–	100%	Provision of undergraduate education services

* The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English name.

^ Zhaoqing Kepei Information Technology and Tibet Kepei are registered as wholly-foreign-owned enterprises under PRC law.

These entities are owned through contractual arrangements.

& During the period, the Group acquired these entities. Further details of the acquisitions are included in note 31 to the financial statements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has prepared the financial statements on the basis of going concern. The Group recorded net current liabilities of RMB1,274,215,000 as at 31 August 2021. Included therein were the contract liabilities of RMB330,147,000 as at 31 August 2021, which will be settled by education services to be provided by the Group. In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance when assessing whether the Group will have sufficient financial resources to continue as a going concern and meet its liabilities as and when they fall due in the foreseeable future.

The Directors have prepared a cashflow forecast for the Group which covers a period of twelve months from the end of the reporting period. Taking into account the positive cashflow from operation, adequate loan facilities from reputable financial institutions up to the date of approval of these financial statements and the ability of management in adjusting the pace of its operation expansion, the Directors consider that the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due. Therefore, there are no material uncertainties that may cast significant doubt over the going concern assumption and the Directors have formed a judgement that there is a reasonable expectation that the Group has adequate resources to operate for the foreseeable future.

As set out in the announcement of the Company issued on 31 August 2021, the financial year end date of the Company and the Group has been changed from 31 December to 31 August to align the financial year end date of the Group with the academic year of the schools operated by the Group in the PRC, which ends in August each year. Accordingly, the current accounting period covers a period of eight months from 1 January 2021 to 31 August 2021. The corresponding comparative amounts shown for the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a period of twelve months from 1 January 2020 to 31 December 2020 are therefore not entirely comparable with those of the current period.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the eight months ended 31 August 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current period's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and the impact of the revised HKFRSs are described below:

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

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

These amendments had no impact on the consolidated financial statements of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

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

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

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

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

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

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

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

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

Amendments to HKAS 1 *Disclosure of Accounting Policies* require companies to disclose their material accounting policy information rather than their significant accounting policies. Amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16. The amendment does not have a significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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.

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

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

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

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

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

Fair value measurement

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

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

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

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

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

Property and buildings	2% – 2.4%
Electronic devices	12.1% – 33.0%
Motor vehicles	9.7% – 10%
Furniture and fixtures	5% – 19.4%

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives, including school operation right and brand name, are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 8 to 12 years.

Student base

Student base acquired through the acquisition of a subsidiary is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of three years.

Leases

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

Group as a lessee

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(a) ***Right-of-use assets***

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

Leasehold land	42 to 50 years
Property and buildings	5 to 6 years

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

(b) ***Lease liabilities***

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

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

The Group applies the short-term lease recognition exemption to its short-term leases of property and buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

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

Group as a lessor

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

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

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

(a) Financial assets at amortised cost (debt instruments)

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

(b) Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to the statement of profit or loss.

(c) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under HKAS 32 *Financial Instruments:* Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

(d) ***Financial assets at fair value through profit or loss***

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

General approach

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

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

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

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include other payables, interest-bearing bank and other borrowings and lease liabilities.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

Government grants

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

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

Specifically, the Group applies a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to customers. If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at the point in time when the customer obtains control of the services.

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

The Group does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Other education service fees from the provision of other education services to customers are collected in advance on a lump sum basis. Revenue is recognised proportionately over the periods of the applicable program.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Other income

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

Management service income is recognised at the point in time when the services are rendered.

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

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract balances

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

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

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. Further details of which are given in note 29 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme. No forfeited contributions may be used by the employer to reduce the existing level of contribution.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

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

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

Foreign currencies

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Contractual arrangements

Guangdong Polytechnic College, Zhaoqing Science and Technology Secondary Vocational School, Harbin Institute of Petroleum and Huaibei Polytechnic College (the "PRC Schools") are mainly engaged in the provision of education services, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" that foreign investors are prohibited to invest.

The Group exercises control over the PRC Schools and enjoys all economic benefits of the PRC Schools through a series of contractual arrangements.

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

Intangible assets with indefinite useful lives

Management considers that the school operation right and brand name, 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 school operation right and brand name are tested for impairment annually.

Current and deferred taxes

Significant judgement is required in interpreting the relevant tax rules and regulations so as to determine whether the Group is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities and such changes to tax liabilities will impact the tax expense in the period in which such determination is made. Further details of the current and deferred taxes are set out in note 10 to the financial statements.

Estimation uncertainty

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Valuation of intangible assets and impairment assessment of goodwill and other intangible assets with indefinite useful lives

The Group recognises goodwill and other intangible assets in acquisition of business, which requires estimation of discount rates and growth rates of the student amount, tuition fee and boarding fee and cost of revenue in respect of the acquisition. During the period ended 31 August 2021, the Group recognised goodwill and other intangible assets with indefinite useful lives of RMB692,121,000 (year ended 31 December 2020: nil) and RMB356,000,000 (year ended 31 December 2020: nil), respectively, upon acquisition of business as detailed in note 31.

The Group determines whether goodwill and other intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill and other intangible assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill and other intangible assets with indefinite useful lives at 31 August 2021 were RMB692,121,000 (31 December 2020: nil) and RMB356,000,000 (31 December 2020: nil), respectively. Further details are given in notes 15 and 16.

Provision for expected credit losses on trade receivables

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 26 to the financial statements.

Impairment of non-financial assets (other than goodwill)

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

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

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

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education services in the PRC.

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

Geographical information

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

Information about major customers

No revenue from services provided to a single customer accounted for 10% or more of the total revenue of the Group during the period.

5. REVENUE, OTHER INCOME AND GAINS

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

	Notes	**Eight months ended 31 August 2021 RMB'000**	Year ended 31 December 2020 RMB'000
Revenue			
Revenue from contracts with customers			
Tuition fees	(a)	**625,099**	820,155
Boarding fees	(a)	**40,538**	37,019
Other education service fees	(b)	**5,658**	10,077
		671,295	867,251
Other income and gains			
Management service income	(c)	**5,189**	91,079
Bank interest income		**9,169**	11,682
Interest income on loans to an associate	(d)	**3,231**	8,086
Interest expense on other borrowings	(d)	**(3,231)**	(8,086)
Dividend income from an equity investment designated at fair value through other comprehensive income		**830**	1,180
Remeasurement gain of the previously held equity interests in an associate	(e)	**12,433**	–
Rental income		**11,358**	8,757
Government grants			
Related to assets		**917**	733
Related to income		**1,752**	5,352
Fair value gains, net			
Financial assets at fair value through profit or loss		**3,881**	10,091
Gain on disposal of items of property, plant and equipment		**–**	54
		45,529	128,928

5. REVENUE, OTHER INCOME AND GAINS (continued)

(a) During the period, tuition fees and boarding fees mainly represented income received from the provision of education and boarding services to the students, which was recognised over time, i.e. the academic year of the services rendered.

(b) During the period, other education service fees mainly represented income received from the provision of other education services including training services to the students, which was amortised over time, i.e. the training periods of the services rendered.

(c) Pursuant to the share management agreement in relation to the acquisition of Harbin Institute of Petroleum (哈爾濱石油學院), the entire management of Harbin Institute of Petroleum shall be entrusted to a subsidiary of the Company with effect from the effective date of the entrustment until the completion of acquisition. In consideration for the management services provided by the subsidiaries of the Company, the Group shall be entitled to the management service income during the term of the share management agreement. On 29 March 2021, the Group completed the acquisition of Harbin Institute of Petroleum and terminated the share management agreement, and has consolidated the financial results of the school into the Group since then.

(d) During the period, pursuant to an agreement entered into between the Group and Huaibei Kepei, Huaibei Kepei would reimburse the interest expenses incurred by the Group in respect of certain other borrowings.

(e) On 31 March 2021, the Group obtained control of Huaibei Kepei which was previously recorded as an associated. According, the previously held equity interests in Huaibei Kepei were remeasured at fair value on that day at RMB146,000,000, which resulting a remeasurement gain of RMB12,433,000 recognised in profit or loss for the current period (note 31).

Contract liabilities

The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. The performance obligation is satisfied proportionately over the relevant period of the applicable program. The students are entitled to refunds of the payments in relation to the proportionate services not yet provided.

Significant changes in the contract liability balances during the period/year are as follows:

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
At the beginning of the period/year	**524,366**	411,870
Revenue recognised that was included in the balance of contract liabilities at the beginning of the period/year	**(524,366)**	(400,084)
Increases due to cash received, excluding amounts recognised as revenue during the period/year	**330,147**	524,366
Transfer to refund liabilities	**–**	(11,786)
At the end of the period/year	**330,147**	524,366

5. REVENUE, OTHER INCOME AND GAINS (continued)

Contract liabilities (continued)

Revenue recognised in relation to contract liabilities

The following table shows the amounts of revenue recognised in the current period that were included in the contract liabilities at the beginning of the reporting period:

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the period/year		
Tuition fees	**484,901**	382,295
Boarding fees	**39,465**	17,789
	524,366	400,084

Unsatisfied performance obligations

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 August 2021 are as follows:

	31 August 2021 RMB'000	31 December 2020 RMB'000
Expected to be recognised as revenue within one year:		
Tuition fees	**304,650**	484,901
Boarding fees	**25,497**	39,465
	330,147	524,366

The amounts of transaction prices associated with unsatisfied or partially unsatisfied performance obligations do not include variable consideration which is constrained.

There were no contract assets at the end of the reporting period recognised in the consolidated statement of financial position.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	**Eight months ended 31 August 2021 RMB'000**	Year ended 31 December 2020 RMB'000
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**123,791**	133,391
Pension scheme contributions		**15,600**	12,238
Equity-settled restricted share award expense		**19,382**	11,007
		158,773	156,636
Depreciation of property, plant and equipment	13	**70,167**	73,269
Depreciation of right-of-use assets	14	**6,596**	6,405
Amortisation of other intangible assets	16	**3,860**	–
Impairment of trade receivables*	20	**1,237**	2,523
Remeasurement gain of previously held equity interests in an associate	5	**(12,433)**	–
Remeasurement loss of the previously held equity interests in a joint venture		**142**	–
Gain on disposal of items of property, plant and equipment	5	**–**	(54)
Auditor's remuneration		**3,880**	3,360
Exchange loss, net**		**1,218**	24,216
Professional service fees related to acquisition transactions***		**1,472**	30,950
Fair value gains, net			
Financial assets at fair value through profit or loss	5	**(3,881)**	(10,091)
Dividend income from an equity investment at fair value through other comprehensive income	5	**(830)**	(1,180)
Bank interest income	5	**(9,169)**	(11,682)

* The provision for expected credit losses on trade receivables is included in administrative expenses in the consolidated statement of profit or loss.

** The exchange loss is included in other expenses in the consolidated statement of profit or loss.

*** All the professional service fees related to acquisition transactions have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

7. FINANCE COSTS

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
Interest on lease liabilities	**307**	532
Interest on bank and other borrowings	**33,112**	13,823
Total interest expense on financial liabilities not at fair value through profit or loss	**33,419**	14,355
Interest capitalised	**(4,197)**	(5,480)
	29,222	8,875

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the period/year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
Fees	**424**	600
Equity-settled restricted share award expense	**894**	527
	1,318	1,127
Other emoluments:		
Salaries, allowances and benefits in kind	**2,980**	3,900
Pension scheme contributions	**74**	37
Equity-settled restricted share award expense	**12,728**	7,514
	15,782	11,451
	17,100	12,578

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

In the prior year, certain directors were granted the restricted share awards, in respect of their services to the Group, under the restricted share award scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair value of such awards, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current period is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the period/year were as follows:

Eight months ended 31 August 2021

	Fees RMB'000	Equity-settled restricted share award expense RMB'000	Total remuneration RMB'000
Mr. Xu Ming	**133**	**894**	**1,027**
Mr. Li Xiaolu	**133**	**–**	**133**
Mr. Deng Feiqi	**133**	**–**	**133**
Mr. Lu Chao	**25**	**–**	**25**
	424	**894**	**1,318**

Year ended 31 December 2020

	Fees RMB'000	Equity-settled restricted share award expense RMB'000	Total remuneration RMB'000
Mr. Xu Ming	200	527	727
Mr. Li Xiaolu	200	–	200
Mr. Deng Feiqi	200	–	200
	600	527	1,127

There were no other emoluments payable to the independent non-executive directors during the period (year ended 31 December 2020: nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, a non-executive director and the chief executive

Eight months ended 31 August 2021

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled restricted share award expense RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. Ye Nianqiao	–	806	23	–	829
Mr. Zhang Xiangwei	–	718	–	4,466	5,184
Mr. Ye Xun	–	508	23	1,563	2,094
Mr. Zha Donghui	–	336	15	2,680	3,031
Ms. Li Yan	–	308	13	2,233	2,554
	–	2,676	74	10,942	13,692
Non-executive director:					
Mr. Wang Chuanwu	–	304	–	1,786	2,090
	–	2,980	74	12,728	15,782

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, a non-executive director and the chief executive (continued)

Year ended 31 December 2020

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled restricted share award expense RMB'000	Total remuneration RMB'000
Executive directors:					
Mr. Ye Nianqiao	–	1,200	3	–	1,203
Mr. Zhang Xiangwei	–	1,000	–	2,636	3,636
Mr. Ye Xun	–	300	2	923	1,225
Mr. Zha Donghui	–	500	18	1,582	2,100
Ms. Li Yan	–	450	14	1,318	1,782
	–	3,450	37	6,459	9,946
Non-executive director:					
Mr. Wang Chuanwu	–	450	–	1,055	1,505
	–	3,900	37	7,514	11,451

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the period (year ended 31 December 2020: nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the period included four directors including the non-executive director (year ended 31 December 2020: four directors including the non-executive director), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (year ended 31 December 2020: one) highest paid employee who is neither a director nor chief executive of the Company is as follows:

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
Salaries, allowances and benefits in kind	1,118	505
Pension scheme contributions	23	–
Equity-settled restricted share award expense	1,117	1,055
	2,258	1,560

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	Eight months ended 31 August 2021	Year ended 31 December 2020
Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	–	–
HK$2,500,001 to HK$3,000,000	1	–

In the prior year, the restricted share awards were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 29 to the financial statements. The fair value of such awards, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current period is included in the above non-director and non-chief executive highest paid employee's remuneration disclosures.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Huanan Education Group Limited, the Company's directly held subsidiary, was incorporated in the British Virgin Islands as an exempted company with limited liability under the BVI Companies Act and accordingly is not subject to income tax.

China Kepei Education (Hong Kong) Limited, a subsidiary incorporated in Hong Kong, is subject to income tax at the rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period.

According to the decision (the "Decision") of the Standing Committee of the National People's Congress on Amending the Private Schools Promotion Law (《全國人民代表大會常務委員會關於修改<中華人民共和國民辦教促進法>的決定》), which was promulgated on 7 November 2016, and came into force on 1 September 2017, private schools are no longer being classified as either schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns. Instead, the school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that schools providing nine-year compulsory education must be non-profit.

On 14 May 2021, the State Council released the Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) with an effective date of 1 September 2021 (the "Implementation Rules"). The Implementation Rules are the detailed implementation rules of the Law for Promoting Private Education of the PRC. As at the date of approval of these financial statements, there was an absence of other detailed implementation rules which remain to be promulgated by the relevant local governments under the Decision and the Implementation Rules for clarification on the substantial uncertainties in the interpretation and implementation of the Decision with respect to various aspects of the operation of a private school, in particular, the respective preferential tax treatments that may be enjoyed by a for-profit private school and a non-profit private school and an implementation timetable. There was uncertainty brought by the Decision and the Implementation Rules.

10. INCOME TAX (continued)

As at the date of approval of these financial statements, the PRC Schools of the Group do not elect to be a for-profit private school or a non-profit private school. The PRC Schools have applied the corporate income tax exemption treatment since their establishment in accordance with the historical tax returns filed with the relevant tax authorities. As a result, still no income tax expense was recognised for the PRC Schools during the period.

Pursuant to the PRC Corporate Income Tax Law and the respective regulations, the Group's non-school subsidiaries which operate in Mainland China are generally subject to Corporate Income Tax ("CIT") at a rate of 25% on their taxable income.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
Current – Mainland China	**–**	1,818
Deferred (note 26)	**40,264**	(4,762)
Total tax charge/(credit) for the period/year	**40,264**	(2,944)

10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

	Eight months ended 31 August 2021		Year ended 31 December 2020	
	RMB'000	**%**	RMB'000	%
Profit before tax	**312,416**		561,846	
Tax at the statutory tax rate	**78,104**	**25.0**	140,462	25.0
Lower tax rates for specific provinces or enacted by local authority	**17**	**–**	351	0.1
Effect of withholding tax on earnings remitted or anticipated to be remitted by subsidiaries	**47,873**	**15.3**	–	–
Adjustments in respect of current tax of previous periods	**–**	**–**	(426)	(0.1)
Losses attributable to a joint venture	**105**	**–**	30	–
Losses attributable to an associate	**669**	**0.2**	1,363	0.2
Income not subject to tax	**(97,683)**	**(31.3)**	(145,861)	(26.0)
Expenses not deductible for tax	**2,438**	**0.8**	2,442	0.4
Tax losses utilised from previous periods	**(217)**	**–**	(2,423)	(0.3)
Tax losses not recognised	**8,907**	**2.9**	1,024	0.2
Temporary differences not recognised	**51**	**–**	94	–
Tax credit at the Group's effective rate	**40,264**	**12.9**	(2,944)	(0.5)

The share of tax attributable to a joint venture and an associate amounting to RMB3,097,000 (year ended 31 December 2020: RMB5,570,000) is included in "share of losses of a joint venture and an associate" in the consolidated statement of profit or loss.

11. DIVIDENDS

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
Proposed final dividend – HK$0.06 per ordinary share (year ended 31 December 2020: HK$0.12)	**99,427**	199,715

The proposed final dividend of HK$0.06 per share for the eight months ended 31 August 2021 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period/year attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 2,000,917,597 (year ended 31 December 2020: 2,000,798,667) in issue during the period/year, which reflects the ordinary shares held for the restricted share award scheme (the "Restricted Shares") of the Company (the "Restricted Share Award Scheme") during the period/year.

The calculation of the diluted earnings per share amounts is based on the profit for the period/year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period/year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

The calculations of basic and diluted earnings per share are based on:

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**272,152**	564,790

	Number of shares	
	Eight months ended 31 August 2021	Year ended 31 December 2020
Shares		
Number of ordinary shares in issue on 1 January	**2,015,248,667**	2,000,798,667
Weighted average number of shares issued	**–**	5,053,552
Weighted average number of ordinary shares held for the Restricted Share Award Scheme	**(14,331,070)**	(5,053,552)
Weighted average number of ordinary shares in issue during the period/year used in the basic earnings per share calculation	**2,000,917,597**	2,000,798,667
Effect of dilution – weighted average number of ordinary shares: Restricted Shares under the Restricted Share Award Scheme (note 29)	**9,407,673**	1,513,286
Weighted average number of ordinary shares in issue during the period/year used in the diluted earnings per share calculation	**2,010,325,270**	2,002,311,953

13. PROPERTY, PLANT AND EQUIPMENT

	Property and buildings RMB'000	Electronic devices RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
31 August 2021						
At 1 January 2021:						
Cost	1,440,156	244,586	15,685	144,061	268,204	2,112,692
Accumulated depreciation	(179,017)	(134,052)	(12,393)	(74,838)	–	(400,300)
Net carrying amount	1,261,139	110,534	3,292	69,223	268,204	1,712,392
At 1 January 2021, net of accumulated depreciation	1,261,139	110,534	3,292	69,223	268,204	1,712,392
Additions	1,117	38,641	536	47,144	282,163	369,601
Acquisition of subsidiaries (note 31)	326,962	39,949	6,010	33,914	573,805	980,640
Disposals	–	(8)	–	(12)	–	(20)
Transfers	679,974	–	–	–	(679,974)	–
Depreciation provided during the period (note 6)	(31,293)	(23,323)	(1,638)	(13,913)	–	(70,167)
At 31 August 2021, net of accumulated depreciation	2,237,899	165,793	8,200	136,356	444,198	2,992,446
At 31 August 2021:						
Cost	2,520,451	396,741	28,101	254,500	444,198	3,643,991
Accumulated depreciation	(282,552)	(230,948)	(19,901)	(118,144)	–	(651,545)
Net carrying amount	2,237,899	165,793	8,200	136,356	444,198	2,992,446

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Property and buildings RMB'000	Electronic devices RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020						
At 1 January 2020:						
Cost	1,280,274	215,049	14,797	118,923	121,355	1,750,398
Accumulated depreciation	(142,458)	(110,870)	(11,000)	(63,478)	–	(327,806)
Net carrying amount	1,137,816	104,179	3,797	55,445	121,355	1,422,592
At 1 January 2020, net of accumulated depreciation	1,137,816	104,179	3,797	55,445	121,355	1,422,592
Additions	1,198	30,039	1,141	26,155	305,533	364,066
Disposals	–	(399)	(8)	(590)	–	(997)
Transfers	158,684	–	–	–	(158,684)	–
Depreciation provided during the year (note 6)	(36,559)	(23,285)	(1,638)	(11,787)	–	(73,269)
At 31 December 2020, net of accumulated depreciation	1,261,139	110,534	3,292	69,223	268,204	1,712,392
At 31 December 2020:						
Cost	1,440,156	244,586	15,685	144,061	268,204	2,112,692
Accumulated depreciation	(179,017)	(134,052)	(12,393)	(74,838)	–	(400,300)
Net carrying amount	1,261,139	110,534	3,292	69,223	268,204	1,712,392

The Group's buildings are situated in Mainland China.

At 31 August 2021, certain of the Group's electronic devices and furniture and fixtures with a net carrying amount of approximately RMB128,616,000 (31 December 2020: RMB156,210,000) were pledged to secure certain other borrowings granted to the Group (note 25).

14. LEASES

The Group as a lessee

The Group has lease contracts for land, property and buildings used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 42 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of property and buildings generally have lease terms between 5 and 6 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the period/year are as follows:

	Leasehold land RMB'000	Property and buildings RMB'000	Total RMB'000
As at 1 January 2020	198,104	9,869	207,973
Depreciation charge (note 6)	(4,594)	(1,811)	(6,405)
Covid-19-related rent concessions from lessors	–	(85)	(85)
As at 31 December 2020 and 1 January 2021	193,510	7,973	201,483
Acquisition of subsidiaries (note 31)	575,989	–	575,989
Depreciation charged to profit or loss (note 6)	(5,332)	(1,264)	(6,596)
Depreciation charged to construction in progress	(2,262)	–	(2,262)
As at 31 August 2021	761,905	6,709	768,614

14. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the period/year are as follows:

	31 August 2021 RMB'000	31 December 2020 RMB'000
Carrying amount at 1 January	**9,043**	10,565
Accretion of interest recognised during the period/year	**307**	532
Covid-19-related rent concessions from lessors	**–**	(85)
Payments	**(1,369)**	(1,969)
Carrying amount at 31 August/December	**7,981**	9,043
Analysed into:		
Current portion	**1,666**	1,609
Non-current portion	**6,315**	7,434

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

As disclosed in note 2.2 to the financial statements, the Group has early adopted the amendment to HKFRS 16 and there was no rent concessions from lessors occurred in the current period.

14. LEASES (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
Interest on lease liabilities	**307**	532
Depreciation charge of right-of-use assets	**6,596**	6,405
Expense relating to short-term leases and other leases with remaining lease terms ended on or before the period/year	**340**	200
Covid-19-related rent concessions from lessors	**–**	(85)
Total amount recognised in profit or loss	**7,243**	7,052

(d) The total cash outflow for leases is disclosed in note 32(b) to the financial statements.

The Group as a lessor

The Group leases its properties under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the period was RMB11,358,000 (year ended 31 December 2020: RMB8,757,000), details of which are included in note 5 to the financial statements.

14. LEASES (continued)

The Group as a lessor (continued)

At 31 August 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	31 August 2021 RMB'000	31 December 2020 RMB'000
Within one year	**17,152**	11,558
After one year but within two years	**11,500**	7,969
After two years but within three years	**1,871**	3,694
After three years but within four years	**851**	401
After four years but within five years	**142**	184
After five years	**309**	399
	31,825	24,205

15. GOODWILL

	RMB'000
Cost at 1 January 2021, net of accumulated impairment	**–**
Acquisition of subsidiaries (note 31)	**692,121**
At 31 August 2021	**692,121**
At 31 August 2021:	
Cost	**692,121**
Accumulated impairment	**–**
Net carrying amount	**692,121**

15. GOODWILL (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

	31 August 2021
Harbin Institute of Petroleum cash-generating unit (note 31)	**691,414**
Huaibei Kepei cash-generating unit (note 31)	**412**
Research Institute cash-generating unit (note 31)	**295**
	692,121

The recoverable amounts of the above cash-generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

Assumptions were used in the value in use calculation of the above cash-generating units for 31 August 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	Harbin Institute of Petroleum cash-generating unit	Huaibei Kepei cash-generating unit	Research Institute cash-generating unit
Revenue (annual growth rate)	10%-14%	16%-128%	8%-12%
Gross margins (% of revenue)	60%-74%	67%	(62%)-100%
Long term growth rate	3%	3%	3%
Discount rates	14%	16%	15%

15. GOODWILL (continued)

Impairment testing of goodwill (continued)

Budgeted Sales amounts – The budgeted revenue are based on the historical data and management's expectation on the future market.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the period/year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Long term growth rate – The long term growth rate is based on the historical data and management's expectation on the future market.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units, and are determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain publicly listed companies conducting business in the PRC education industry.

The values assigned to the key assumptions on market development of the cash-generating units and discount rates are consistent with external information sources.

The key assumption on which management has based its determination of goodwill's recoverable amount is budgeted sales amounts, which are dependent on the number of students and unit tuition and boarding fees.

The Directors have estimated the reasonably possible changes in those factors and acknowledged that, even if the most unfavourable possible values were assigned to those factors, the recoverable amount then calculated, after incorporating any consequential effects of such assignments on the other variables used to measure the recoverable amount of the cash-generating unit, would still exceed its carrying amount.

16. OTHER INTANGIBLE ASSETS

	Software RMB'000	Student base RMB'000 (a)	School operation right RMB'000 (b)	Brand name RMB'000 (c)	Total RMB'000
31 August 2021					
Cost at 1 January 2021, net of accumulated amortisation	–	–	–	–	–
Additions	538	–	–	–	538
Acquisition of subsidiaries (note 31)	3,973	44,600	234,000	122,000	404,573
Amortisation provided during the period (note 6)	(225)	(3,635)	–	–	(3,860)
At 31 August 2021	4,286	40,965	234,000	122,000	401,251
At 31 August 2021:					
Cost	5,542	44,600	234,000	122,000	406,142
Accumulated amortisation	(1,256)	(3,635)	–	–	(4,891)
Net carrying amount	4,286	40,965	234,000	122,000	401,251

(a) Student base has a finite estimated useful life and it is amortised based on the expected service period to a student.

(b) School operation right is stated at cost and is not amortised while its useful life is assessed to be indefinite, and the Group performs impairment assessment annually or when indicators of potential impairment are identified until its useful life is determined to be finite. The school operation right is allocated to the cash-generating unit of the school of Huaibei Polytechnic College, and the recoverable amount of this cash-generating unit is determined based on the value in use calculation (note 15).

(c) Brand name is stated at cost and is not amortised while its useful life is assessed to be indefinite, and the Group performs impairment assessment annually or when indicators of potential impairment are identified until its useful life is determined to be finite. The brand name is allocated to the cash-generating unit of the school of Harbin Institute of Petroleum, and the recoverable amount of this cash-generating unit is determined based on the value in use calculation (note 15).

17. INVESTMENT IN A JOINT VENTURE

	31 August 2021 RMB'000	31 December 2020 RMB'000
Share of net assets	–	2,052

Before 31 May 2021, Group held a 49% equity interest in Research Institute and treated it as a joint venture. On 31 May 2021, the Group entered into an equity transfer agreement to further acquire the remaining 51% equity interest in Research Institute at a consideration of RMB1,550,000 (note 31(c)).

18. INVESTMENT IN AN ASSOCIATE

	31 August 2021 RMB'000	31 December 2020 RMB'000
Share of net assets	–	136,243

Before 29 March 2021, the Group held a 45% equity interest in Huaibei Kepei and treated it as an associate. As detailed in the Company's announcement on 29 March 2021, the Group entered into an equity transfer agreement to further acquire the remaining 55% equity interest in Huaibei Kepei at a consideration of RMB197,340,000 (note 31(b)).

19. AN EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 August 2021 RMB'000	31 December 2020 RMB'000
Listed equity investment, at fair value	**7,847**	45,870

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

For the eight months ended 31 August 2021, the Group received dividends in the amount of HK$993,000 (equivalent to RMB830,000) (year ended 31 December 2020: HK$1,291,000) from the equity investment.

20. TRADE RECEIVABLES

	31 August 2021 RMB'000	31 December 2020 RMB'000
Tuition fees and boarding fees receivables	**51,385**	41,346
Impairment	**(7,965)**	(7,218)
	43,420	34,128

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in September. The outstanding receivables represent amounts due from students who have applied for deferred payments of tuition fees and boarding fees. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of individual students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of loss allowance, is as follows:

	31 August 2021 RMB'000	31 December 2020 RMB'000
Within 1 year	**29,983**	24,051
1 to 2 years	**4,895**	5,453
2 to 3 years	**6,599**	2,496
Over 3 years	**1,943**	2,128
	43,420	34,128

20. TRADE RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	31 August 2021 RMB'000	31 December 2020 RMB'000
At beginning of period/year	**7,218**	5,142
Impairment losses (note 6)	**1,237**	2,523
Amount written off as uncollectible	**(490)**	(447)
At end of period/year	**7,965**	7,218

The increase (year ended 31 December 2020: increase) in the loss allowance was due to the following significant changes in the gross carrying amount:

(a) Increase in the loss allowance of RMB1,237,000 as a result of an increase in trade receivables of Categories 3 and 4 (year ended 31 December 2020: increase in the loss allowance of RMB2,523,000 as a result of an increase in trade receivables of Categories 2 and 3); and

(b) Decrease in the loss allowance of RMB490,000 (year ended 31 December 2020: decrease in the loss allowance of RMB447,000) as a result of the write-off of certain trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The expected credit loss rates are determined into four categories, and management groups students with similar loss patterns into one of the categories. When grouping the students, the assessment adopted by management is based on several factors, such as days past due, geographical region, performance and behaviour of the students, students' family financial status and continued education service relationship with the students. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off after one year of graduation of the students and are not subject to enforcement activity.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the credit risk and days past due of the trade receivables to measure the expected credit losses.

20. TRADE RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's accounts receivable using a provision matrix:

	Expected credit loss rate %	**31 August 2021 Gross carrying amount RMB'000**	**31 August 2021 Expected credit losses RMB'000**	31 December 2020 Gross carrying amount RMB'000	31 December 2020 Expected credit losses RMB'000
Category 1	0	**33,965**	**–**	24,614	–
Category 2	25	**6,800**	**1,700**	7,808	1,952
Category 3	50	**6,800**	**3,400**	5,708	2,854
Category 4	75	**3,820**	**2,865**	3,216	2,412
		51,385	**7,965**	41,346	7,218

There was no change in the ECL rates during the period, mainly because there were no significant changes in the historical default rates of trade receivables, economic conditions and performance and behaviour of the students, based on which the ECL rates are determined.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	31 August 2021 RMB'000	31 December 2020 RMB'000
Non-current			
Prepayments for investments	(a)	**200,000**	450,000
Loan to the entrusted school	(b)	**60,000**	–
Prepayment for property, plant and equipment		**36,464**	4,885
Non-current portion of prepaid expenses		**27,975**	–
		324,439	454,885
Current			
Refundable deposit related to proposed equity acquisitions		**–**	100,000
Loans to the entrusted school	(c)	**103,177**	–
Prepaid expenses		**20,483**	6,360
Deposits		**14,236**	4,651
Other receivables		**9,024**	5,539
Interest receivable		**2,331**	671
Receivable for management service income		**–**	95,000
		149,251	212,221
Impairment allowance		**–**	–
		149,251	212,221

Notes:

(a) Prepayments mainly represent down payments for the acquisition of a new school.

(b) As detailed in the Company's announcement on 15 July 2021, pursuant to the share management agreement in relation to the acquisition of Maanshan College (馬鞍山學院, the entrusted school), the entire management of Maanshan College shall be entrusted to a subsidiary of the Company with effect from the effective date of the entrustment until the completion of the acquisition. The loan to the entrusted school is unsecured, interest-free and repayable on demand. In the opinion of the Directors, this loan is unlikely to be repaid in the foreseeable future and is considered as part of the Group's net investment in the entrusted school after the completion of acquisition. There was no recent history of default and past due amounts for loan to the entrusted school. As at 31 August 2021, the loss allowance was assessed to be minimal.

(c) The loans to the entrusted school are unsecured, bear interest at 10% and are repayable on demand.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

Deposits and other receivables mainly represent loans to an entrusted school and deposits with suppliers. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The financial assets included in the above balances were categorised in stage 1 at the end of the reporting period. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 August 2021 and 31 December 2020, the loss allowance was assessed to be minimal.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 August 2021 RMB'000	31 December 2020 RMB'000
Other listed investments, at fair value	**63,714**	59,833

The listed investment as at 31 August 2021 represented a fund of RMB63,714,000 (31 December 2021: RMB59,833,000) issued by an overseas fund company. The product was denominated in US$. There was no given yield rate or maturity date for the product.

The above listed investment was mandatorily classified as a financial asset at fair value through profit or loss as its contractual cash flows is not solely payments of principal and interest. The investment is not past due.

23. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	31 August 2021 RMB'000	31 December 2020 RMB'000
Cash and bank balances	**1,203,699**	935,987
Time deposits	**100,000**	458,217
	1,303,699	1,394,204
Less: Non-pledged time deposits with original maturity of more than three months but less than one year	**–**	(100,000)
Less: Non-pledged time deposits with original maturity of more than one year	**(25,000)**	–
Pledged time deposits (note 25)	**(50,000)**	–
Cash and cash equivalents	**1,228,699**	1,294,204
Denominated in:		
RMB	**1,230,012**	969,838
HK$	**485**	1,767
US$	**73,202**	422,599

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB1,230,012,000 (31 December 2020: RMB969,838,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods within three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

24. OTHER PAYABLES AND ACCRUALS

	31 August 2021 RMB'000	31 December 2020 RMB'000
Payables for salaries	17,753	24,272
Payables for social insurance and housing fund	31,318	23,534
Payables for scholarships and needy student fund	38,428	7,381
Payables for cooperative education fees	7	88
Payables for purchase of property, plant and equipment	280,662	44,662
Miscellaneous expenses received from students*	38,666	34,577
Other tax payable	12,951	9,565
Accrued interest	7,748	1,000
Payables for acquisition of subsidiaries (note 31(d))	807,640	–
Other borrowings	223,004	–
Others	39,871	25,327
	1,498,048	170,406

* The amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

Other payables and accruals are non-interest-bearing and expected to be settled within one year.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 August 2021			31 December 2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – unsecured	3.35~5.25	2021~2022	745,505	4.46	2021	100,000
Other borrowings – secured	5.00~8.69	2021~2022	65,274	5.00~8.69	2021	165,015
			810,779			265,015
Non-current						
Bank loans – unsecured	4.25~5.39	2023~2028	401,743	5.39	2024~2028	100,000
Other borrowings – secured	5.72~8.69	2022~2025	243,551	8.22~8.69	2022~2025	162,258
			645,294			262,258
			1,456,073			527,273

	31 August 2021 RMB'000	31 December 2020 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	745,505	100,000
In the second to fifth years, inclusive	305,422	37,376
Beyond five years	96,321	62,624
	1,147,248	200,000
Other borrowings repayable:		
Within one year	65,274	165,015
In the second to fifth years, inclusive	243,551	162,258
	308,825	327,273

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

Notes:

(a) Certain of the Group's other borrowings were secured by:

(i) mortgages over certain of the Group's electronic devices and furniture and fixtures, which had a net carrying value of RMB128,616,000 as at 31 August 2021 (31 December 2020: RMB156,210,000) (note 13); and

(ii) the pledge of certain of the Group's time deposits amounting to RMB50,000,000 (31 December 2020: nil) (note 23).

(b) The bank and other borrowings are also guaranteed by certain related parties at no cost. The guarantee amounts provided by the related parties as at 31 August 2021 and 31 December 2020 are as follows:

Bank loans	**31 August 2021 RMB'000**	31 December 2020 RMB'000
Mr. Ye Nianqiao, Ms. Shu Liping, Zhaoqing Qiaoli Investment Company Limited ("Zhaoqing Qiaoli"), Mr. Ye Nianjiu, Mr. Ye Xun and Zhaoqing Kepei	**147,248**	100,000
Mr. Ye Nianqiao, Zhaoqing Kepei and Tibet Kepei	**100,000**	–
Mr. Ye Nianqiao and Ms. Shu Liping	**200,000**	–
Mr. Ye Nianqiao, Ms. Shu Liping, Mr. Ye Xun, Mr. Ye Nianjiu, Zhaoqing Kepei, Tibet Kepei, Huaibei Polytechnic College, Zhaoqing Science and Technology Secondary Vocational School and Huaibei Dongxing Construction Investment Company Limited	**100,000**	–
Mr. Ye Nianqiao, Ms. Shu Liping, Mr. Ye Xun, Mr. Ye Nianjiu, Zhaoqing Kepei Information Technology and Zhaoqing Qiaoli	**300,000**	–
Mr. Ye Nianqiao, Ms. Shu Liping, Mr. Ye Xun, Mr. Ye Nianjiu, Zhaoqing Kepei and Zhaoqing Qiaoli	**300,000**	100,000
	1,147,248	200,000

Other borrowings	**31 August 2021 RMB'000**	31 December 2020 RMB'000
Mr. Ye Nianqiao, Ms. Shu Liping, Zhaoqing Kepei and Tibet Kepei	**102,943**	100,000
Mr. Ye Nianqiao, Zhaoqing Kepei and Tibet Kepei	**205,882**	227,273
	308,825	327,273

26. DEFERRED TAX

The movements in deferred tax liabilities and assets during the period are as follows:

Deferred tax liabilities

	Withholding taxes RMB'000
At 1 January 2021	**–**
Deferred tax charged to the statement of profit or loss during the period (note 10)	**47,873**
Gross deferred tax liabilities at 31 August 2021	**47,873**

Deferred tax assets

	Equity-settled restricted share award expense RMB'000
At 1 January 2020	–
Deferred tax credited to the statement of profit or loss during the year (note 10)	4,762
Gross deferred tax assets at 31 December 2020 and 1 January 2021	**4,762**
Deferred tax credited to the statement of profit or loss during the period (note 10)	**7,609**
Gross deferred tax assets at 31 August 2021	**12,371**

26. DEFERRED TAX (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes :

	31 August 2021 RMB'000	31 December 2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**–**	4,762
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(35,502)**	–
Net deferred tax (liabilities)/assets	**(35,502)**	4,762

The Group has tax losses arising in Hong Kong of RMB40,000 (year ended 31 December 2020: nil) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also had tax losses arising in Mainland China of RMB54,974,000 in the current period (year ended 31 December 2020: RMB12,572,000), which will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	31 August 2021 RMB'000	31 December 2020 RMB'000
Tax losses	**47,365**	12,572

26. DEFERRED TAX (continued)

Among the above tax losses, the amounts of RMB47,325,000 are available in one to five years for offsetting against future taxable profits of the companies in which the losses arose and the amounts of RMB40,000 are available indefinitely for offsetting against future taxable profits of the company in which the losses arose, respectively. Deferred tax assets have been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 August 2021, the Group recognised relevant deferred income tax liabilities of RMB47,873,000 (31 December 2020: nil) on earnings anticipated to be remitted by certain subsidiaries in the foreseeable future. Other than the amount recognised in the consolidated financial statements, deferred tax has not been recognised for withholding taxes for the earnings of approximately RMB1,981,319,000 at 31 August 2021 (31 December 2020: RMB1,801,413,000) expected to be retained by the PRC subsidiaries and not to be remitted to a foreign investor in the foreseeable future. In the opinion of the Directors, such remaining earnings will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such remaining earnings in the foreseeable future.

27. DEFERRED INCOME

	31 August 2021 RMB'000	31 December 2020 RMB'000
Government grants		
At beginning of period/year	**8,737**	3,969
Acquisition of a subsidiary (note 31)	**2,176**	–
Grants received	**3,253**	10,853
Charged to profit or loss	**(2,669)**	(6,085)
At end of period/year	**11,497**	8,737
Current	**1,514**	996
Non-current	**9,983**	7,741
	11,497	8,737

These government grants are related to the subsidies received from the local government for the purpose of compensating the operating expenses arising from the teaching activities of the Group's schools and expenditures on teaching facilities. Upon completion of the operating activities and the related projects, the grants related to the expense items would be recognised as other income directly in profit or loss and the grants related to an asset would be released to profit or loss over the expected useful life of the relevant asset.

28. SHARE CAPITAL

	31 August 2021 RMB'000	31 December 2020 RMB'000
Issued and fully paid:		
2,015,248,667 (31 December 2020: 2,015,248,667) ordinary shares	**137**	137

29. RESTRICTED SHARE AWARD SCHEME

The Company operates the Restricted Share Award Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Restricted Share Award Scheme include the Company's directors, including independent non-executive directors, and other employees of the Group. The Restricted Share Award Scheme was adopted by the board of directors (the "Board") upon recommendation from the remuneration committee of the Board on 22 June 2020 (the "Adoption Date") and shall be valid and effective for a period of 5 years commencing on the Adoption Date.

Pursuant to the Restricted Share Award Scheme, the Restricted Shares will be satisfied by (i) existing shares to be acquired by the Trustee on or off the market; and/or (ii) new shares to be allotted and issued by the Company to the Trustee. The total number of the Restricted Shares underlying all grants to be made pursuant to the Restricted Share Award Scheme shall not exceed 2% of the number of issued shares as at the Adoption Date; and the maximum number of the Restricted Shares which may be awarded to any one selected participant shall not exceed 1% of the number of issued shares as at the Adoption Date.

Upon the adoption of the Restricted Share Award Scheme, the Company appointed an independent third party trustee for the administration of the Restricted Share Award Scheme pursuant to the Scheme Rules.

The Board may, at its sole discretion, determine which eligible participant(s) shall be entitled to receive grants of the Restricted Shares under the Restricted Share Award Scheme, together with the number of shares to which each selected eligible participant shall be entitled, and make the relevant grant of the Restricted Shares to the selected eligible participants under the Restricted Share Award Scheme, subject to such conditions as the Board may deem appropriate at its discretion.

The Company shall (i) issue and allot shares to the Trustee under the general or specific mandates granted or to be granted by the shareholders at the general meetings from time to time; and/or (ii) transfer to the Trustee the necessary funds and instruct the Trustee to acquire shares through on-market or off-market transactions at the prevailing market price or at price within a specified price range, so as to satisfy the award. The Restricted Shares will be held in trust for the selected eligible participants until the end of each vesting period. When the selected eligible participant has satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the Restricted Shares, the Trustee shall transfer the relevant Restricted Shares to that selected eligible participant.

On 22 June 2020, the Board has approved, subject to acceptance of the selected eligible participants (the "Grantees") and other conditions, the grant of an aggregate of 14,450,000 Restricted Shares to the Grantees, of which (i) 3,300,000 Restricted Shares are granted to 7 employees of the Company; and (ii) 11,150,000 Restricted Shares are proposed to be granted to 6 directors and 8 current and former directors of the subsidiaries.

29. RESTRICTED SHARE AWARD SCHEME (continued)

On 14 August 2020, the proposal of granting the Restricted Shares to 6 directors and 8 current and former directors of the subsidiaries has been approved in the extraordinary general meeting of the Company.

On 26 August 2020, 14,450,000 shares were issued by the Company to the Trustee, representing approximately 0.72% of the number of issued shares as at that date and approximately 0.72% of the enlarged issued shares after the said issue.

Neither the selected eligible participants nor the Trustee may exercise any of the voting rights in respect of any Restricted Shares that have not yet been vested.

The following Restricted Shares were outstanding under the Restricted Share Award Scheme during the period:

Numbers of the Restricted Shares	**Eight months ended 31 August 2021 '000**	Year ended 31 December 2020 '000
At beginning of period/year	**14,450**	–
Granted during the period/year	**–**	14,450
Forfeited during the period/year	**(1,040)**	–
Exercised during the period/year	**(4,740)**	–
At end of period/year	**8,670**	14,450

The fair value of the Restricted Shares granted was RMB77,639,850 (RMB5.37 each), of which the Group recognised a share award expense of RMB32,268,000 in the consolidated statement of profit or loss during the eight months ended 31 August 2021 (year ended 31 December 2020: RMB19,048,000).

At the date of approval of the financial statements, 4,740,000 Restricted Shares held by the Trustee have been awarded to the eligible participants, the Company had 8,670,000 Restricted Shares outstanding under the Restricted Share Award Scheme, which represented approximately 0.43% of the Company's shares in issue as at that date.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the current period and prior year are presented in the consolidated statement of changes in equity of the financial statements.

(a) Capital reserve – share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time when the proposed dividend is to be paid.

(b) Capital reserve – others

The capital reserve of the Group represents the capital contribution from the then equity holders of the Group's subsidiaries.

(c) Statutory and other surplus reserves

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

(i) In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to registered capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(ii) According to the relevant PRC laws and regulations, since 1 September 2021, a for-profit private school is required to appropriate to the development fund not less than 10% of the audited annual net income of the relevant school, while a non-profit private school is required to appropriate to the development fund not less than 10% of the audited annual increase in non-restricted net assets of the relevant school. The development fund is for the construction or maintenance of the school, or procurement or upgrading of educational equipment.

31. BUSINESS COMBINATIONS

(a) Acquisition of Harbin Institute of Petroleum

As detailed in the Company's announcement on 13 January 2020, the Group entered into a shareholders' agreement (the "Agreement") to indirectly acquire 100% school sponsor's interest in Harbin Institute of Petroleum and entered into a share management agreement to be entrusted the management of Harbin Institute of Petroleum before the completion of acquisition.

For the purpose of acquisition, Ganzhou Xuteng Enterprise Management Co., Ltd. (贛州序騰企業管理有限公司) was set up on 7 July 2020 by the seller to undertake the 100% equity interests of Harbin Huarui Industrial Co., Ltd. (哈爾濱華瑞實業有限公司), which is the sole sponsor of Harbin Institute of Petroleum. Ganzhou Xuteng, Huarui Industrial and Harbin Institute of Petroleum were collectively referred to as the Acquired Group.

On 29 March 2021, the acquisition was completed. The purchase consideration for the acquisition was in the form of cash of RMB1,450,000,000, with RMB450,000,000 paid in 2020, RMB300,000,000 paid in April 2021 and RMB700,000,000 unsettled as of 31 August 2021.

The fair values of the identifiable assets and liabilities of the Acquired Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	491,954
Right-of-use assets	254,789
Other intangible assets	169,361
Trade receivables	1,667
Prepayments, other receivables and other assets	25,880
Cash and cash equivalents	114,743
Contract liabilities	(75,564)
Other payables and accruals	(222,068)
Deferred income	(2,176)
Total identifiable net assets at fair value	758,586
Goodwill on acquisition	691,414
Satisfied by cash	1,450,000

31. BUSINESS COMBINATIONS (continued)

(a) Acquisition of Harbin Institute of Petroleum (continued)

The fair values of trade receivables and other receivables as at the date of acquisition amounted to RMB1,667,000 and RMB25,442,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB1,667,000 and RMB25,442,000, respectively, of which no other receivables are expected to be uncollectible.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of the Acquired Group with those of the Group. The goodwill recognised is not deductible for income tax purposes.

Since the acquisition, the Acquired Group contributed RMB77,136,000 to the Group's revenue and RMB37,469,000 to the consolidated profit for the eight months ended 31 August 2021.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period would have been RMB695,125,000 and RMB272,429,000 respectively.

(b) Acquisition of Huaibei Kepei

Before 29 March 2021, the Group held a 45% equity interest in Huaibei Kepei and treated it as an associate. As detailed in the Company's announcement on 29 March 2021, the Group entered into an equity transfer agreement to further acquire the remaining 55% equity interest in Huaibei Kepei at a consideration of RMB197,340,000 in the form of cash, with RMB100,000,000 paid in 2020 as a deposit.

According to the announcement of the Ministry of Education of the PRC ("MOE"), the sponsorship interest in Huaibei Normal University Information College (淮北師範大學信息學院, "HNU Information College"), an independent college in Huaibei, Anhui Province, the PRC, was jointly held by Huaibei Kepei and Huaibei Normal University upon obtaining the relevant approvals. Further, HNU Information College have been converted from an independent college (獨立學院) into an independently established private regular undergraduate institution (民辦普通本科院校), namely, Huaibei Polytechnic College, subject to, among others, the grant of the necessary approvals by the MOE. Huaibei Polytechnic College commenced operation in September 2021.

31. BUSINESS COMBINATIONS (continued)

(b) Acquisition of Huaibei Kepei (continued)

The fair values of the identifiable assets and liabilities of Huaibei Kepei as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	487,214
Right-of-use assets	321,200
Other intangible assets	235,212
Prepayments, other receivables and other assets	9,732
Cash and cash equivalents	2,329
Other payables and accruals	(414,434)
Interest-bearing bank and other borrowings	(298,325)
Total identifiable net assets at fair value	342,928
Goodwill on acquisition	412
	343,340
Satisfied by	
Cash	197,340
Investment in an associate	146,000
	343,340

The fair values of other receivables as at the date of acquisition approximated to its contract amounts.

No transaction cost was incurred for this acquisition.

Since the acquisition, Huaibei Kepei had no contribution to the Group's revenue and contributed loss of RMB7,673,000 to the consolidated statement of profit or loss for the eight months ended 31 August 2021.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period would have been RMB671,295,000 and RMB269,438,000, respectively.

31. BUSINESS COMBINATIONS (continued)

(c) Acquisition of Research Institute

Before 31 May 2021, Group held a 49% equity interest in Research Institute and treated it as a joint venture. On 31 May 2021, the Group entered into an equity transfer agreement to further acquire the remaining 51% equity interest in Research Institute at a consideration of RMB1,550,000 in the form of cash, which was all paid in 2021.

The fair values of the identifiable assets and liabilities of Research Institute as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	1,472
Prepayments, other receivables and other assets	38
Cash and cash equivalents	1,654
Other payables and accruals	(420)
Total identifiable net assets at fair value	2,744
Goodwill on acquisition	295
	3,039
Satisfied by	
Cash	1,550
Investment in a joint venture	1,489
	3,039

The fair values of other receivables as at the date of acquisition approximated to their carrying amounts.

No transaction cost incurred for this acquisition.

Since the acquisition, Research Institute had no contribution to the Group's revenue and contributed loss of RMB1,626,000 to the consolidated statement of profit or loss for the eight months ended 31 August 2021.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period would have been RMB671,295,000 and RMB271,294,000, respectively.

31. BUSINESS COMBINATIONS (continued)

(d) An analysis of the cash flows in respect of the acquisition of the subsidiaries is as follows:

	Eight months ended 31 August 2021			
	Acquisition of Harbin Institute of Petroleum RMB'000	Acquisition of Huaibei Kepei RMB'000	Acquisition of Research Institute RMB'000	Total RMB'000
Cash consideration	(1,450,000)	(197,340)	(1,550)	(1,648,890)
Advances for acquisition of subsidiaries in prior year	450,000	89,700	–	539,700
Payables for acquisition of subsidiaries	700,000	107,640	–	807,640
Cash and cash equivalents	114,743	2,329	1,654	118,726
Net outflow of cash and cash equivalents included in cash flows from investing activities	(185,257)	2,329	104	(182,824)

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

31 August 2021

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2021	527,273	9,043	536,316
Changes from financing cash flows	630,475	(1,369)	629,106
Interest expense	–	307	307
Acquisition from subsidiaries	298,325	–	298,325
At 31 August 2021	1,456,073	7,981	1,464,054

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(a) Changes in liabilities arising from financing activities (continued)

31 December 2020

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2020	100,000	10,565	110,565
Changes from financing cash flows	427,273	(1,969)	425,304
Interest expense	–	532	532
Covid-19-related rent concessions from lessors	–	(85)	(85)
At 31 December 2020	527,273	9,043	536,316

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	31 August 2021 RMB'000	31 December 2020 RMB'000
Within financing activities	**(1,369)**	(1,969)

33. CONTINGENT LIABILITIES

As at 31 August 2021, the Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened (31 December 2020: nil).

34. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's other borrowings are included in notes 13, 23 and 25 to the financial statements.

35. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	31 August 2021 RMB'000	31 December 2020 RMB'000
Contracted, but not provided for:		
Buildings	**51,508**	57,256
Acquisition of subsidiaries	**350,000**	1,000,000
Total	**401,508**	1,057,256

At the end of the reporting period, the Group did not have significant capital commitments that are authorised but not contracted for.

36. RELATED PARTY TRANSACTIONS

The Directors are of the view that the following company is a related party that had material transactions or balances with the Group during the period.

(a) Name and relationship of a related party

Name	**Relationship**
Huaibei Kepei	An associate of the Group before 31 March 2021 and a subsidiary of the Group since 1 April 2021

(b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with Huaibei Kepei during the period:

	31 August 2021 RMB'000	31 December 2020 RMB'000
Loans to Huaibei Kepei	**–**	150,000
Interest income on loans to Huaibei Kepei	**3,231**	8,086

The loans to Huaibei Kepei are unsecured, bear interest at an effective interest rate of 8.69% and have no fixed terms of repayment.

36. RELATED PARTY TRANSACTIONS (continued)

(c) Amounts due from an associate

	31 August 2021 RMB'000	31 December 2020 RMB'000
Huaibei Kepei	–	158,329

(d) Compensation of key management personnel of the Group:

	31 August 2021 RMB'000	31 December 2020 RMB'000
Salaries, allowances and benefits in kind	6,808	8,099
Pension scheme contributions	286	219
Equity-settled restricted share award expense	24,899	15,357
	31,993	23,675

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 August 2021

Financial assets

	Financial assets at fair value through profit or loss – Mandatorily designated as such RMB'000	Financial asset at fair value through OCI RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	–	43,420	43,420
An equity investment at fair value through other comprehensive income	–	7,847	–	7,847
Financial assets included in prepayments, other receivables and other assets	–	–	128,768	128,768
Financial assets at fair value through profit or loss	63,714	–	–	63,714
Time deposits	–	–	75,000	75,000
Cash and cash equivalents	–	–	1,228,699	1,228,699
	63,714	7,847	1,475,887	1,547,448

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	1,354,291
Interest-bearing bank and other borrowings	1,456,073
Lease liabilities	7,981
	2,818,345

37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

31 December 2020

Financial assets

	Financial assets at fair value through profit or loss – Mandatorily designated as such RMB'000	Financial asset at fair value through OCI RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Trade receivables	–	–	34,128	34,128
An equity investment at fair value through other comprehensive income	–	45,870	–	45,870
Financial assets included in prepayments, other receivables and other assets	–	–	205,861	205,861
Financial assets at fair value through profit or loss	59,833	–	–	59,833
Amounts due from an associate	–	–	158,329	158,329
Time deposits	–	–	100,000	100,000
Cash and cash equivalents	–	–	1,294,204	1,294,204
	59,833	45,870	1,792,522	1,898,225

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	70,984
Interest-bearing bank and other borrowings	527,273
Lease liabilities	9,043
	607,300

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Management has assessed that the fair values of trade receivables, cash and cash equivalents, time deposits, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank and other borrowings and lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 August 2021 were assessed to be insignificant.

The fair values of a listed equity investment and a fund are based on quoted market prices.

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 August 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
An equity investment designated at fair value through other comprehensive income	**7,847**	**–**	**–**	**7,847**
Financial assets at fair value through profit or loss	**63,714**	**–**	**–**	**63,714**
	71,561	**–**	**–**	**71,561**

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
An equity investment designated at fair value through other comprehensive income	45,870	–	–	45,870
Financial assets at fair value through profit or loss	59,833	–	–	59,833
	105,703	–	–	105,703

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The movements in fair value measurements within Level 3 during the period were as follows:

Unlisted investments – wealth management products

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
At 1 January	–	271,966
Total gains recognised in the statement of profit or loss included in other income and gains	–	398
Purchases	–	
Disposals	–	(272,364)
At the period/year	–	–

Liabilities for which fair values are disclosed:

As at 31 August 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current interest-bearing bank and other borrowings	–	645,294	–	645,294

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed: (continued)

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current interest-bearing bank and other borrowings	–	262,258	–	262,258

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (year ended 31 December 2020: nil).

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings, lease liabilities, cash and cash equivalents, time deposits, an equity investment designated at fair value through other comprehensive income and financial assets at fair value through profit or loss. The main purpose of the financial instruments is to raise finance for the Group's operation. The Group has various other financial assets and liabilities such as trade receivables and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from the cash and cash equivalents denominated in HK$ and US$.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$ and RMB exchange rate and US$ and RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Increase/ (decrease) %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
Eight months ended 31 August 2021			
If the RMB weakens against the HK$	**5**	**417**	**417**
If the RMB strengthens against the HK$	**(5)**	**(417)**	**(417)**
If the RMB weakens against the US$	**5**	**6,846**	**6,846**
If the RMB strengthens against the US$	**(5)**	**(6,846)**	**(6,846)**
Year ended 31 December 2020			
If the RMB weakens against the HK$	5	2,382	2,382
If the RMB strengthens against the HK$	(5)	(2,382)	(2,382)
If the RMB weakens against the US$	5	24,122	24,122
If the RMB strengthens against the US$	(5)	(24,122)	(24,122)

* Excluding retained profits

Credit risk

The Group is exposed to credit risk from cash and cash equivalents placed with banks, amounts due from an associate, trade receivables and other receivables. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and period/year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and period/year-end staging classification as at 31 August 2021.

The amounts presented are gross carrying amounts for financial assets.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and period/year-end staging (continued)

As at 31 August 2021

	Notes	12-month ECLs	Lifetime ECLs	
		Stage 1 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables	(a)	–	51,385	51,385
Financial assets included in prepayments, other receivables and other assets				
– Normal	(b)	128,768	–	128,768
Time deposits				
– not yet past due	(c)	75,000	–	75,000
Cash and cash equivalents				
– not yet past due	(c)	1,228,699	–	1,228,699
		1,432,467	51,385	1,483,852

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and period/year-end staging (continued)

As at 31 December 2020

	Notes	12-month ECLs	Lifetime ECLs	
		Stage 1	Simplified approach	Total
		RMB'000	RMB'000	RMB'000
Trade receivables	(a)	–	41,346	41,346
Financial assets included in prepayments, other receivables and other assets				
– Normal	(b)	205,861	–	205,861
Amounts due from an associate				
– Normal		158,329	–	158,329
Time deposits				
– not yet past due	(c)	100,000	–	100,000
Cash and cash equivalents				
– not yet past due	(c)	1,294,204	–	1,294,204
		1,758,394	41,346	1,799,740

(a) The Group's trade receivables are due from a number of individual students. Credit quality of each student is assessed and outstanding receivables are regularly monitored. For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

(b) The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

(c) As disclosed in note 23 to the financial statements, most of the bank balances are deposited with creditworthy banks with no recent history of default. The expected credit loss is close to zero.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation, bank and other borrowings and lease liabilities. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 August 2021	**On demand RMB'000**	**Less than 3 months RMB'000**	**3 to less than 12 months RMB'000**	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Lease liabilities	**–**	**514**	**1,842**	**6,965**	**–**	**9,321**
Interest-bearing bank and other borrowings	**–**	**183,379**	**738,664**	**518,217**	**98,538**	**1,538,798**
Financial liabilities included in other payables and accruals	**1,354,291**	**–**	**–**	**–**	**–**	**1,354,291**
	1,354,291	**183,893**	**740,506**	**525,182**	**98,538**	**2,902,410**

31 December 2020	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Lease liabilities	–	514	1,541	8,123	–	10,178
Interest-bearing bank and other borrowings	–	119,958	174,036	252,629	67,728	614,351
Financial liabilities included in other payables and accruals	70,984	–	–	–	–	70,984
	70,984	120,472	175,577	260,752	67,728	695,513

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group's policy is to maintain a strong capital base so as to maintain the confidence of creditors and the market and to sustain future development of business.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debts. The Group's overall strategy remained unchanged during the period.

The Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of the reporting periods are as follows:

	31 August 2021 RMB'000	31 December 2020 RMB'000
Total liabilities	**3,506,393**	1,242,675
Total assets	**6,746,802**	4,416,402
Debt-to-asset ratio	**52%**	28%

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 August 2021 RMB'000	31 December 2020 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	**51,317**	19,049
Total non-current assets	**51,317**	19,049
CURRENT ASSETS		
Prepayments, other receivables and other assets	**14**	–
Financial assets at fair value through profit or loss	**63,714**	59,833
Amounts due from subsidiaries	**558,221**	597,111
Cash and cash equivalents	**4,900**	6,056
Total current assets	**626,849**	663,000
CURRENT LIABILITIES		
Other payables and accruals	**176**	176
Dividend payable	**164,295**	–
Total current liabilities	**164,471**	176
NET CURRENT ASSETS	**462,378**	662,824
TOTAL ASSETS LESS CURRENT LIABILITIES	**513,695**	681,873
Net assets	**513,695**	681,873
EQUITY		
Share capital	**137**	137
Reserves (note)	**513,558**	681,736
Total equity	**513,695**	681,873

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Shares held for the restricted share award scheme RMB'000	Capital reserve – share premium RMB'000	Capital reserve – other RMB'000	Restricted share award reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	–	872,069	102	–	(19,762)	852,409
Total comprehensive loss for the year	–	–	–	–	(6,479)	(6,479)
Final 2019 dividend declared	–	(183,205)	–	–	–	(183,205)
Issue of shares	(82,326)	82,325	–	–	–	(1)
Share issue expenses	–	(36)	–	–	–	(36)
Equity-settled restricted share award scheme	–	–	–	19,048	–	19,048
At 31 December 2020 and 1 January 2021	**(82,326)**	**771,153**	**102**	**19,048**	**(26,241)**	**681,736**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**(731)**	**(731)**
Final 2020 dividend declared	**–**	**(199,715)**	**–**	**–**	**–**	**(199,715)**
Equity-settled restricted share award scheme	**32,930**	**–**	**(1,875)**	**1,213**	**–**	**32,268**
At 31 August 2021	**(49,396)**	**571,438**	**(1,773)**	**20,261**	**(26,972)**	**513,558**

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 November 2021.

中國科培教育集團有限公司

China Kepei Education Group Limited