



CHINA CHUNLAI EDUCATION GROUP CO., LTD. 中國春來教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1969

2021 ANNUAL REPORT



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Company Profile

The Group is a leading provider of private higher education in China. Since the Group's inception in 2004, it has grown to operate three colleges in Henan Province and two colleges in Hubei Province, and participate in the operation of one college in Jiangsu province. The total student enrolment of the Group's colleges increased from 61,398 for the 2019/2020 school year to 90,902 for the 2020/2021 school year. To capture growth opportunities, each of the Group's current colleges in Henan Province has acquired or is in the process of acquiring additional land and other resources to further increase student enrolment. The Group's employment-oriented curricula are focused on equipping our students with practical skills that meet the demand of economic development in China.

The Group's revenue increased from RMB702.5 million for the year ended 31 August 2020 to RMB1,042 million for the year ended 31 August 2021.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Hou Junyu (侯俊宇)
 Ms. Jiang Shuqin (蔣淑琴)
 Ms. Zhang Jie (張潔) (*Chief Executive Officer*)
(appointed on 25 September 2020)

Non-executive Directors

Mr. Hou Chunlai (侯春來) (*Chairman*)
 Mr. Hao Xiaohui (郝曉暉) (*Vice Chairman*)
(appointed on 25 September 2020
and resigned on 8 February 2021)

Independent non-executive Directors

Dr. Jin Xiaobin (金曉斌)
 Ms. Fok, Pui Ming Joanna (霍珮鳴)
 Mr. Lau, Tsz Man (劉子文)

AUDIT COMMITTEE

Mr. Lau, Tsz Man (劉子文) (*Chairman*)
 Dr. Jin Xiaobin (金曉斌)
 Ms. Fok, Pui Ming Joanna (霍珮鳴)

REMUNERATION COMMITTEE

Ms. Fok, Pui Ming Joanna (霍珮鳴) (*Chairlady*)
 Ms. Jiang Shuqin (蔣淑琴)
 Mr. Lau, Tsz Man (劉子文)

NOMINATION COMMITTEE

Mr. Hou Junyu (侯俊宇) (*Chairman*)
 Dr. Jin Xiaobin (金曉斌)
 Ms. Fok, Pui Ming Joanna (霍珮鳴)

COMPANY SECRETARY

Mr. Wong Yu Kit (黃儒傑)

AUTHORISED REPRESENTATIVES

Mr. Hou Junyu (侯俊宇)
 Mr. Wong Yu Kit (黃儒傑)

AUDITOR

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 Certified Public Accountants
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COMPLIANCE ADVISER

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REGISTERED OFFICE

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 George Town
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Corporate Information

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PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG SHARE REGISTRAR

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PRINCIPAL BANKERS

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Shangqiu City
Henan Province
PRC

China CITIC Bank Co., Ltd.
Anyang People's Avenue Sub-branch
Southeast Corner, Intersection of People's Avenue
and Yongming Road, Anyang City
Henan Province
PRC

COMPANY WEBSITE

www.chunlaiedu.com

STOCK CODE

1969

Financial Summary

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out below:

RESULTS	2017	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	460,889	487,791	559,380	702,493	1,041,999
Cost of revenue	(170,043)	(204,363)	(265,730)	(332,916)	(410,560)
Gross profit	290,846	283,428	293,650	369,577	631,439
Profit before taxation	151,649	119,773	169,310	148,205	609,951
Profit and total comprehensive income for the year	151,649	118,948	164,734	141,332	606,925
Adjusted net profit ⁽¹⁾	154,735	143,144	159,463	173,186	396,109
Profitability Margins					
Gross profit margin	63.1%	58.1%	52.5%	52.6%	60.6%
Adjusted net profit margin ⁽¹⁾	33.6%	29.3%	28.5%	24.7%	38.0%
Assets and Liabilities					
Non-current assets	1,201,369	1,474,688	2,472,356	3,325,399	4,492,955
Current assets	582,339	600,457	980,728	428,119	561,245
Current liabilities	780,021	790,975	1,931,054	1,810,469	2,215,211
Net current (liabilities)	(197,682)	(190,518)	(950,326)	(1,382,350)	(1,653,966)
Total assets less current liabilities	1,003,687	1,284,170	1,522,030	1,943,049	2,838,989
Total equity	445,182	594,834	1,287,363	1,441,449	2,059,444
Non-current liabilities	558,505	689,336	234,667	501,600	779,545
Total equity and non-current liabilities	1,003,687	1,284,170	1,522,030	1,943,049	2,838,989
Selected Major Items					
Property, plant and equipment	707,306	878,131	1,390,998	1,928,004	2,780,754
Bank balances and cash	267,344	544,620	473,619	204,011	399,603
Restricted bank balances	100,000	–	–	–	–
Borrowings	992,329	952,106	1,520,111	1,793,011	2,368,232
Deferred revenue	195,776	358,366	8,595	5,666	8,329
Contract liabilities	–	–	447,130	89,902	219,419
Liquidity					
Gearing ratio ⁽²⁾	222.9%	160.1%	118.1%	124.4%	115.0%

Notes:

- (1) Adjusted net profit is calculated as profit for the year excluding (i) share-based compensation, (ii) foreign exchange loss/(gain) and (iii) gain on acquisition of Jingzhou College (formerly known as Hubei College). For details of the reconciliation of the profit for the year to the adjusted net profit of the Group, please refer to the section headed "Financial Review" in this annual report.
- (2) The gearing ratio was calculated as total borrowings divided by total equity as at the end of the relevant financial year.

Financial Highlights

	Year ended 31 August		
	2021	2020	Change (%)
	(RMB in thousands, except percentages)		
Revenue	1,041,999	702,493	+48.3%
Gross profit	631,439	369,577	+70.9%
Profit before taxation	609,951	148,205	+311.6%
Profit for the year	606,925	141,332	+329.4%
Non-IFRS Measure:			
Adjusted net profit ¹	396,109	173,186	+128.7%

Note:

- (1) Adjusted net profit is calculated as profit for the year excluding (i) share-based compensation; (ii) foreign exchange loss, and (iii) gain on acquisition of Jingzhou College (formerly known as Hubei College). For details of the reconciliation of the profit for the year to the adjusted net profit of the Group, please refer to the section headed "Financial Review" in this annual report.

NON-IFRS MEASURE

To supplement the Group's audited consolidated financial statements which are presented in accordance with IFRS, the Company also uses adjusted net profit as an additional financial measure. The Company presents this financial measure because it is used by the management of the Company to evaluate the Group's financial performance by eliminating the impact of items that the Company does not consider indicative of the performance of the Group's business. The Company also believes that this non-IFRS measure provides additional information to investors and others in understanding and evaluating the Group's consolidated results of operations in the same manner as they help management of the Group and in comparing financial results across accounting periods and to those of peer companies. However, the Company's presentation of such adjusted figure may not be comparable to a similarly titled measure presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under IFRS.

Management Discussion and Analysis

MARKET OVERVIEW

The formal education system in the PRC comprises fundamental education, which includes education from preschool to high school, secondary vocational education and higher education. Formal higher education can be further categorised into junior colleges and universities. Junior colleges only offer junior college programmes while universities can offer both junior college programmes and bachelor's degree programmes.

The Private Higher Education Industry in China

The private higher education industry in China has experienced rapid growth since the beginning of the 1990s as the relevant government authorities made great endeavour in developing the regulatory framework for private higher education. The number of student enrolments in private higher education in China has continued to increase in recent years, with more and more students having chosen to go to private universities or colleges instead of public schools. According to Frost & Sullivan, the total number of private higher education institutions in China has been continuously, and the development of private higher education is primarily driven by a number of factors, including (i) support by PRC government policies and initiatives; (ii) increasing resident income and demand for higher education; (iii) growing market demand for technical talents; and (iv) increasing diversification and strengthened education quality. With the help of these factors, the rapid growth in higher education in China is expected to continue, and the private higher education landscape remains competitive.

BUSINESS REVIEW

The Company is one of the leading providers of private higher education in China. Since our inception in 2004, we have grown to operate three colleges in Henan Province, namely Shangqiu University, Anyang University and Shangqiu University Kaifeng Campus, and two colleges in Hubei Province, namely Jiankang College and Jingzhou College (formerly Hubei College). We also participate in the operation of Tianping College. We completed the acquisition of sponsor interest of Jingzhou College in May 2021 and are in the process of acquiring the sponsor interest of Tianping College. We believe that we have strong potential to further grow our business, and the private higher education market in China presents many market opportunities.

In 2020, the outbreak of COVID-19 has certain impact on the education business of the Group, mainly due to domestic travel restrictions and various precautionary measure undertaken by respective local authorities which, inter alia, include closure of schools and delays in class commencement during the outbreak period. The Group has put in place certain alternative action plans for the students during the schools' closure period, which include implementation of online modules and website distance learning activities.

In view of the implementation of the above mentioned action plans, the management of the Group has assessed and preliminarily concluded that at this stage, there was no significant impact on the financial position of the Group as at 31 August 2021. The Company is of the view that the business of the Group remained relatively stable for the year ended 31 August 2021, notwithstanding the impact of COVID-19.

Management Discussion and Analysis

Our employment-oriented curricula are focused on equipping our students with practicable skills that meet the demand of economic development in China. The effectiveness of our practical curricula and training programmes is reflected in our high graduate employment rates. For the 2019/2020 and 2020/2021 school years, the average initial employment rate of our higher education programmes was approximately 85.1% and 84.9%, respectively. The employment rate of our graduates for the 2019/2020 school year dropped given the impact of COVID-19 on the employment market in the PRC in 2020.

Our Colleges

Shangqiu University

Shangqiu University is located in Shangqiu, Henan Province. The predecessor of Shangqiu University was Huayu College of Henan Agricultural University (河南農業大學華豫學院), which we co-founded with Henan Agricultural University in 2004. Shangqiu University currently offers 47 bachelor's degree programmes, 18 junior college to bachelor's degree transfer programmes, 36 junior college diploma programmes, 14 combined vocational education and junior college diploma programmes and 20 vocational education programmes. Shangqiu University has also been approved to offer double-major bachelor's degree programmes in marketing, Chinese language and literature, economics, human resources management, and international economy and trade. For the 2020/2021 school year, Shangqiu University had a total enrolment of 30,353 students.

In April 2017, Shangqiu University established Chunlai Institute, a two-year honours programme that aims to promote comprehensive and individualised education of its select students. Chunlai Institute offers courses in, among others, management, world history, introduction to traditional Chinese culture, conversational English and art. To increase the competitiveness of its enrollees, Chunlai Institute also offers courses that prepare students for graduate school entrance exams and civil service examinations.

Anyang University

Anyang University is located in Anyang, Henan Province. The predecessor of Anyang University was College of Humanities and Management of Anyang Normal University (安陽師範學院人文管理學院) (the "**College of Humanities and Management**"), which was co-founded by Anyang Normal University and Anyang Iron and Steel Group in 2003. Anyang University currently offers 41 bachelor's degree programmes, 32 junior college diploma programmes, 3 counterpart bachelor's degree programmes, 3 counterpart junior college diploma programmes, 25 combined vocational education and junior college diploma programmes and 6 technical secondary school programmes. For the 2020/2021 school year, Anyang University had a total enrolment of 34,724 students.

In April 2021, we established the new Anyang University Yuanyang Campus, which only started to enrol students for the 2021/22 school year after the Reporting Period.

Management Discussion and Analysis

Shangqiu University Kaifeng Campus

Shangqiu University Kaifeng Campus is located in Kaifeng, Henan Province. It was established in 2013 as a branch college (下屬學院) of Shangqiu University. Shangqiu University Kaifeng Campus currently offers 26 bachelor's degree programmes, 20 junior college to bachelor's degree transfer programmes and 20 junior college diploma programmes. For the 2020/2021 school year, Shangqiu University Kaifeng Campus had a total enrolment of 14,594 students.

Jiankang College

Jiankang College is located in Xianning, Hubei Province. By closely following the state's "Healthy China 2030" and "Aging Service and Industry" strategic development needs, Jiankang College has set up three departments and two divisions, including the Department of Nursing, the Department of Health Intelligent Engineering, the Department of Public Health, the Division of Basic Medicine, and the Division of Public Instruction, and offers 7 majors, namely nursing, midwifery, rehabilitation technology, dental medicine technology, health management, early childhood development and health management, and rehabilitation engineering technology. For the 2020/2021 school year, Jiankang College had a total enrolment of 472 students.

Jingzhou College (formerly Hubei College)

Jingzhou College is located in Jingzhou, Hubei Province. Jingzhou College currently offers 31 bachelor's degree programmes, and 18 junior college diploma programmes. For the 2020/2021 school year, Jingzhou College had a total enrolment of 10,759 students. We have completed the acquisition of sponsor interest of Jingzhou College in May 2021 and the results of operations has been consolidated into those of the Group for the Reporting Period.

Management Discussion and Analysis

Student Enrolment

The table below sets forth the enrolment statistics of our colleges for the 2019/2020 and 2020/2021 school years:

	Student enrolment ⁽¹⁾ for the school year		Change in number	Percentage change (approximately)
	2020/2021	2019/2020		
Shangqiu University				
Bachelor's degree programmes	10,366	10,836	(470)	(4.3%)
Junior college to bachelor's degree transfer programmes	2,539	1,610	929	57.7%
Junior college diploma programmes ⁽²⁾	13,039	7,335	5,704	77.8%
Vocational education programmes ⁽³⁾	4,409	4,194	215	5.1%
School subtotal	30,353	23,975	6,378	26.6%
Anyang University				
Bachelor's degree programmes	13,158	12,013	1,145	9.5%
Junior college to bachelor's degree transfer programmes	3,556	3,152	404	12.8%
Junior college diploma programmes ⁽²⁾	11,602	6,088	5,514	90.6%
Vocational education programmes ⁽³⁾⁽⁴⁾	6,408	6,422	14	(0.2%)
School subtotal	34,724	27,675	7,049	25.5%
Shangqiu University Kaifeng Campus				
Bachelor's degree programmes ⁽⁵⁾	7,378	6,881	497	7.2%
Junior college to bachelor's degree transfer programmes ⁽⁶⁾	1,619	1,341	278	20.7%
Junior college diploma programmes ⁽⁷⁾	5,597	1,526	4,071	266.8%
School subtotal	14,594	9,748	4,846	49.7%

Management Discussion and Analysis

	Student enrolment ⁽¹⁾ for the school year		Change in number	Percentage change (approximately)
	2020/2021	2019/2020		
Jiankang College				
Junior college diploma programmes ⁽⁸⁾	472	N/A	N/A	N/A
School subtotal	472	N/A	N/A	N/A
Jingzhou College				
Bachelor's degree programmes	6,447	6,307	140	2.2%
Junior college to bachelor's degree transfer programmes	3,731	2,754	977	35.5%
Junior college diploma programmes	581	0	581	–
School subtotal	10,759	9,061	1,698	18.7%
Total number of students	90,902	70,459	19,971	28.3%

Notes:

- (1) As our school year typically ends in late June or early July, we present student enrolment statistics as of 30 June for the 2019/2020 and 2020/2021 school years.
- (2) Including (i) students enrolled in junior college diploma programmes and (ii) students enrolled in the last three years of combined vocational education and junior college diploma programmes.
- (3) Including (i) students enrolled in vocational education programmes and (ii) students enrolled in the first two years of combined vocational education and junior college diploma programmes.
- (4) Anyang University started its vocational education programmes and combined vocational education and junior college diploma programmes in 2016.
- (5) Shangqiu University Kaifeng Campus started its bachelor's degree programmes in 2013.
- (6) Shangqiu University Kaifeng Campus started its junior college to bachelor's degree transfer programmes in 2017.
- (7) Shangqiu University Kaifeng Campus started its junior college diploma programmes in 2013.
- (8) Jiankang College started its junior college diploma programmes in 2020.

Management Discussion and Analysis

For the 2020/2021 school year, the number of students increased by 48.1% from 61,398 in the prior school year to 90,902. The increase was primarily due to the incorporation of Jingzhou College during the Reporting Period. We also achieved expected results through increasing our efforts and expanding our footprint, thereby driving solid momentum for future sustainable development.

The Group believes the educational philosophies of its schools and its well-developed curricula as well as its high graduate employment rates enable the Group to attract high-quality students who are seeking a pathway to satisfactory employment. In addition, the quality faculty team is also a major factor that has played in the past, and will continue to play in the future, an important role in the success of the schools.

Student Recruitment

Our new student enrolment has historically been driven primarily by word-of-mouth referrals. We believe we generally have a good reputation in providing high quality education services among our students and their parents. In addition, after over 16 years of operations, we have built a highly engaged and vibrant community of alumni, who we believe would assist us to continuously attract outstanding students. Other than referrals from alumni network, we also employ a range of marketing and recruiting methods to attract students and increase enrolment at our colleges, such as information sessions, advertisements and brochures.

Our recruitment efforts, coupled with the quality and reputation of our education programmes, have helped us achieve high admission yields in our colleges that offer bachelor's degree programmes. For example, for the 2020/2021 school year, the overall yield of our four colleges that offer bachelor's degree programmes (being Shangqiu University, Anyang University, Shangqiu University Kaifeng Campus and Jingzhou College), as defined by the number of students who enrolled in a bachelor's degree programme divided by the number of students who were admitted in that programme, was 97.1%.

Our Teachers

We believe that our team of experienced and dedicated teachers are crucial to our success. As an operator of private schools, we can provide better incentives to qualified teachers who fit our hiring criteria. Teachers are the key to maintaining high-quality educational programmes and services as well as maintaining our brand and reputation. Our aim is to continue hiring teachers with a strong command of their respective subject areas who are open to innovative teaching methods and a caring heart towards students' well-being. As of 31 August 2021, we had 2,599 full time teachers and 839 part-time teachers.

Acquisition of Sponsor Interest of Tianping College

On 19 August 2019, the School Sponsor entered into an agreement with Suzhou University of Science and Technology (蘇州科技大學) ("**Suzhou University of Science and Technology**") and Suzhou University of Science and Technology Education Development Foundation (蘇州科技大學教育發展基金會), which was amended by a supplemental agreement dated 20 August 2019 between the School Sponsor and Suzhou University of Science and Technology (collectively, the "**Formal Agreement**"). Pursuant to the Formal Agreement, the School Sponsor agreed to be the new school sponsor of Tianping College and to cooperate with Suzhou University of Science and Technology to jointly operate Tianping College during a certain preparatory period for converting Tianping College into a standalone private ordinary college without the name of Suzhou University of Science and Technology (the "**Preparatory Period for Conversion**") for a total consideration of RMB800,111,100 (equivalent to approximately HK\$909,217,159). The change of school sponsor of Tianping College and the conversion of Tianping College into a standalone private ordinary college is subject to the approval of and registration by the relevant authorities in the PRC (the "**Acquisition**"). For further details, please refer to the announcements of the Company dated 23 July 2019 and 20 August 2019 and the major transaction circular to be published in due course.

Management Discussion and Analysis

FUTURE DEVELOPMENT

In order to continuously increase our total enrolment, we plan to acquire additional land use rights and construct new education and living facilities. We consider that the increase in capacity under the expansion plan is essential to accommodate our growth strategy of increasing student enrolment going forward. Each of our colleges generally requires its students to live in dormitories on campus. Therefore, a college's student enrolment is largely limited by the capacity of its student dormitories. Taking into account the gender specificity of our student dormitories and the gender mix of our students, there is currently limited capacity for a significant growth in student enrolment. We expect to increase the capacity of our colleges progressively to strike a reasonable balance between student enrolment and utilisation. We believe the planned increase in capacity is appropriate and will enable our colleges to grow sustainably.

We consider that, given our track record of delivering quality private higher education and industry reputation, the education authorities in the PRC will be receptive to our application for increasing admission quota provided that we are able to demonstrate that we have sufficient school capacity, appropriate facilities available and quality education programmes to offer, which are among the key objectives of our expansion plans.

FINANCIAL REVIEW

Overview

For the year ended 31 August 2021, we recorded a revenue of RMB1,042 million and a gross profit of RMB631.4 million. The gross profit margin was 60.6% for the year ended 31 August 2021 as compared with 52.6% for the corresponding period in 2020.

The adjusted net profit of the Group for the year ended 31 August 2021 was RMB396.1 million, representing an increase of RMB222.9 million or 128.7% from the corresponding period in 2020. The adjusted net profit margin of the Group was 38.0% and 24.7% for the years ended 31 August 2021 and 31 August 2020, respectively. The increase in adjusted net profit was mainly due to the increase in student enrolment.

The net profit of the Group amounted to RMB606.9 million and RMB141.3 million for the years ended 31 August 2021 and 31 August 2020, respectively. The net profit margin of the Group amounted to 58.2% and 20.1% for the years ended 31 August 2021 and 31 August 2020, respectively.

Revenue

Our revenue increased by 48.3% from RMB702.5 million for the year ended 31 August 2020 to RMB1,042 million for the year ended 31 August 2021, primarily due to the increase of the Group's student enrollment.

Revenue from Shangqiu University Kaifeng Campus increased by 56.0% from RMB130.5 million for the year ended 31 August 2020 to RMB203.6 million for the year ended 31 August 2021. The increase was primarily due to an increase in student enrolment from 9,748 for the 2019/2020 school year to 14,594 for the 2020/2021 school year. The increase in revenue from Shangqiu University Kaifeng Campus was also due to an increase in the average tuition fee level, as Shangqiu University Kaifeng Campus increased the average tuition fee rate applicable to students newly admitted in the 2020/2021 school year.

Management Discussion and Analysis

Revenue from Anyang University increased by 37.9% from RMB308.2 million for the year ended 31 August 2020 to RMB425.0 million for the year ended 31 August 2021. The increase was primarily due to an increase in student enrolment from 27,675 for the 2019/2020 school year to 34,724 for the 2020/2021 school year. The increase in revenue from Anyang University was also due to an increase in the average tuition fee level, as Anyang University increased the average tuition fee rate applicable to students newly admitted in the 2020/2021 school year.

Revenue from Shangqiu University increased by 39.9% from RMB263.7 million for the year ended 31 August 2020 to RMB369.2 million for the year ended 31 August 2021. The increase was primarily due to an increase in student enrolment from 23,975 for the 2019/2020 school year to 30,353 for the 2020/2021 school year.

Jiankang College began to have its first class of students in September 2020, with 486 students. Revenue from Jiankang College was RMB6.5 million for the year ended 31 August 2021.

Overall, revenue from tuition fees and boarding fees increased by 41.1% and 189.6%, respectively, from the year ended 31 August 2020 to the year ended 31 August 2021.

Cost of Revenue

Our cost of revenue increased by 23.3% from RMB332.9 million for the year ended 31 August 2020 to RMB410.6 million for the year ended 31 August 2021. As a percentage of revenue, our cost of revenue increased from 47.4% for the year ended 31 August 2020 to 39.4% for the year ended 31 August 2021. The increase in cost of revenue was primarily due to an increase in teaching staff costs, as we increased the number of teachers in each of our colleges to continuously improve our education quality and accommodate the increase in our student enrolment.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 70.9% from RMB369.6 million for the year ended 31 August 2020 to RMB631.4 million for the year ended 31 August 2021, and our gross profit margin increased from 52.6% for the year ended 31 August 2020 to 60.6% for the year ended 31 August 2021, primarily due to revenue has increased more than teaching staff costs and depreciation costs.

Other Income

Our other income increased by 10.2% from RMB39.3 million for the year ended 31 August 2020 to RMB43.5 million for the year ended 31 August 2021, primarily due to the value-added tax rebates which amounted to RMB5.6 million.

Other Gains and Losses

We recorded other gains of RMB26.4 million for the year ended 31 August 2020, while we recorded other gains of RMB221.9 million for the year ended 31 August 2021. The other gains for the year ended 31 August 2021 were primarily attributable to gain on the acquisition of Jingzhou College.

Management Discussion and Analysis

Selling Expenses

Our selling expenses increased by 38.8% from RMB2.6 million for the year ended 31 August 2020 to RMB3.6 million for the year ended 31 August 2021, primarily because the Group increased its investment in student recruitment promotion.

Administrative Expenses

Our administrative expenses increased by 34.7% from RMB139.4 million for the year ended 31 August 2020 to RMB187.8 million for the year ended 31 August 2021, primarily due to increases in depreciation and amortisation, staff costs and travelling expenses.

Finance Costs

Our finance costs increased by 3.4% from RMB92.3 million for the year ended 31 August 2020 to RMB95.5 million for the year ended 31 August 2021, primarily due to higher average borrowings from interest-bearing bank loans during the Reporting Period and interest capitalisation.

Taxation

We recorded income tax of RMB6.9 million for the year ended 31 August 2020 as compared to income tax of RMB3.0 million for the year ended 31 August 2021 due to service revenue and other income.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 329.4% from RMB141.3 million for the year ended 31 August 2020 to RMB606.9 million for the year ended 31 August 2021.

Adjusted Net Profit

Our adjusted net profit increased by 128.7% from RMB173.2 million for the year ended 31 August 2020 to RMB396.1 million for the year ended 31 August 2021. Adjusted net profit (as a non-IFRS measure) was calculated as profit for the year excluding (i) share-based compensation, (ii) foreign exchange loss, and (iii) gain on acquisition of Jingzhou College. The following table reconciles profit for the year to adjusted net profit for both years:

	For the year ended 31 August	
	2021	2020
	(RMB in thousands)	
Profit for the year	606,925	141,332
Add:		
Share-based compensation	11,070	12,263
Foreign exchange loss	24,927	19,591
Minus:		
Gain on acquisition of Jingzhou College	246,813	–
Adjusted net profit	396,109	173,186

Management Discussion and Analysis

Liquidity and Source of Funding and Borrowing

As at 31 August 2021, the Company had funded the Group's cash requirements principally from cash generated from our operation and external borrowings. The Company had cash and cash equivalents of RMB204.0 million and RMB399.6 million as of 31 August 2020 and 2021, respectively. The Company generally deposits the Group's excess cash in interest-bearing bank accounts and current accounts.

As at 31 August 2021, the Group's principal uses of cash have been for funding of the acquisition of Tianping College (details of which are set out under the heading "Acquisition of Sponsor Interest of Tianping College" in this annual report and the announcements of the Company dated 23 July 2019 and 20 August 2019), funding of required working capital, capital expenditures and other recurring expenses to support the expansion of the Group's operations. Going forward, the Company believes the Group's liquidity requirements will be satisfied by using funds from a combination of internally generated cash, external borrowings, proceeds from the Global Offering (as defined below) and other funds raised from the capital markets from time to time. Any significant decrease in student enrolment, or our tuition fees and boarding fees, or a significant decrease in the availability of bank loans or other financing may adversely impact the Group's liquidity.

Gearing Ratio

As at 31 August 2021, the gearing ratio of the Group, which was calculated as total borrowings divided by total equity as of the end of the year, was approximately 115.0%, representing a decrease of 9.4% percentage point(s) as compared with 124.4% as at 31 August 2020. The decrease was due to the increase of total equity.

Significant Investments

Save as disclosed in this annual report, the Group did not make or hold any significant investments (including any investment in an investee company with a value of 5% or more of the Company's total assets as at 31 August 2021) during the year ended 31 August 2021.

Material Acquisitions and Disposals

On 28 June 2021, the PRC Holdco entered into a cooperation framework agreement and a framework agreement supplemental to the cooperation framework agreement with the People's Government of Linzhou City (林州市人民政府) pursuant to which PRC Holdco shall acquire the land use right ("**Acquisition of Land Use Right**") of a piece of land with an area of approximately 2,000 mu (equivalent to approximately 1,333,333 sq m) which will be south of Linzhou Avenue (林州大道以南), north of Tianping Avenue (天平大道以北) and east of College Road (學院路以東) at an expected consideration of approximately RMB220 million (equivalent to approximately HK\$265 million) calculated by reference to a price of RMB110,000 per mu and an expected size of 2000 mu plot of land.

Further details of the Acquisition of Land Use Right are set out the announcement of the Company dated 28 June 2021.

Save as disclosed in this annual report, the Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies during the year ended 31 August 2021.

Management Discussion and Analysis

Pledge of Assets

On 30 December 2020, Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團) (“**Henan Shangqiu**”) (as borrower) entered into a loan agreement (the “**Henan Shangqiu Loan Agreement**”) with Zhongyuan Bank Co., Ltd., Shangqiu Branch* (“**Zhongyuan Bank**”) (as lender) in relation to a term loan facility in an aggregate amount of RMB140,000,000 (the “**Henan Shangqiu Loan**”) with an annual interest rate of 6.0%, being 2.15% above the one-year loan prime rate promulgated by the National Interbank Funding Center under the authority of the People’s Bank of China as at the date immediately before the date of the Henan Shangqiu Loan Agreement of 3.85% made by Zhongyuan Bank to Henan Shangqiu. On the same day, each of Anyang University, Shangqiu University and Jiankang College entered into an account receivables pledge agreement with Zhongyuan Bank (the “**Henan Shangqiu Pledge Agreements**”), pursuant to which each of Anyang University, Shangqiu University and Jiankang College agreed to pledge its account receivables in favour of Zhongyuan Bank for Henan Shangqiu’s liabilities under the Henan Shangqiu Loan Agreement (including but not limited to the Henan Shangqiu Loan, interest, damages, compensation, and fees incurred by Zhongyuan Bank in connection with any enforcement actions). Further details of the Henan Shangqiu Loan and the Henan Shangqiu Pledge Agreements are set out in the announcement of the Company dated 30 December 2020.

On 24 May 2021, Jingzhou College (as borrower) entered into a loan agreement (the “**Jingzhou College May 2021 Loan Agreement**”) with China Everbright Bank Co. Ltd., Jingzhou Branch* (中國光大銀行股份有限公司荊州分行) (“**China Everbright Bank**”) (as lender) in relation to a term loan facility in an aggregate amount of RMB90,000,000 (the “**Jingzhou College May 2021 Loan**”). On 25 May 2021, each of the Company, the PRC Holdco, the School Sponsor, Hubei Chunlai Education Technology Co., Ltd.* (湖北春來教育科技有限公司) (“**Hubei Chunlai**”) and WFOE entered into a guarantee agreement with China Everbright Bank (collectively, the “**May 2021 Guarantee Agreements**”), pursuant to which each of the Company, PRC Holdco, School Sponsor, Hubei Chunlai and WFOE shall provide a guarantee in favour of China Everbright Bank for Jingzhou College’s liabilities under the Jingzhou College May 2021 Loan Agreement (including but not limited to the Jingzhou College May 2021 Loan, interest, damages, compensation, and fees incurred by China Everbright Bank in connection with any enforcement actions). Further details of the Jingzhou College May 2021 Loan and the May 2021 Guarantee Agreements are set out in the announcement of the Company dated 10 June 2021.

On 10 June 2021, Shangqiu University (as borrower) entered into a loan agreement (the “**Shangqiu University Loan Agreement**”) with Zhongyuan Bank (as lender) in relation to a term loan facility in an aggregate amount of RMB180,000,000 (the “**Shangqiu University Loan**”) with an annual interest rate of 5.0%, being 1.15% above the one-year loan prime rate promulgated by the National Interbank Funding Center under the authority of the People’s Bank of China as at the date immediately before the date of the Shangqiu University Loan Agreement of 3.85% made by Zhongyuan Bank to Henan Shangqiu. On the same day, Shangqiu University entered into an account receivables pledge agreement with Zhongyuan Bank (the “**Shangqiu University Pledge Agreement**”), pursuant to which Shangqiu University agreed to pledge its account receivables in favour of Zhongyuan Bank for Shangqiu University’s liabilities under the Shangqiu University Loan Agreement (including but not limited to the Shangqiu University Loan, interest, damages, compensation, and fees incurred by Zhongyuan Bank in connection with any enforcement actions). Further details of the Shangqiu University Loan and the Shangqiu University Pledge Agreement are set out in the announcement of the Company dated 16 June 2021.

Management Discussion and Analysis

Contingent Liabilities

The Group had no material contingent liabilities as at 31 August 2021.

Foreign Exchange Exposure

During the year ended 31 August 2021, the Group mainly operated in the PRC and the majority of the transactions were settled in RMB, the functional currency of the Group's PRC subsidiaries and consolidated affiliated entities. The Group has certain exposure to foreign currency risk as part of its business transactions, assets and liabilities are denominated in United States dollars and Hong Kong dollars. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Future Plans for Material Investments

Except as disclosed in this annual report, the Company has no other future plans for material investments and capital assets.

Employee and Remuneration Policy

As of 31 August 2020 and 2021, we had 2,710 and 4,926 employees, respectively.

The number of employees employed by the Group varies from time to time depending on business need. Employees' remuneration is determined in accordance with prevailing industry practice and employees' educational backgrounds, experiences and performance. The remuneration policy and package of the Group's employees are reviewed periodically. As required by the PRC laws and regulations, the Company participates in various employee social security plans for its employees that are administered by local governments, including among others, housing provident funds, pensions, medical insurance, social insurance and unemployment insurance. According to the relevant laws and regulations in the PRC, the amount we are required to contribute for each of our employees under such plans should be calculated based on the employee's actual salary level of the previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities.

Compensation of key executives of the Group is reviewed by the Company's remuneration committee based on the Group's performance and the executives' respective contributions to the Group.

The Company has also adopted the Pre-IPO Share Option Scheme and the Share Award Scheme.

The total remuneration cost incurred by the Group for the Reporting Period was RMB234.4 million (for the year ended 31 August 2020: RMB217.3 million).

Management Discussion and Analysis

EVENTS AFTER THE REPORTING PERIOD

On 9 September 2021, Jingzhou College (as borrower) entered into a loan agreement (the “**Jingzhou College September 2021 Loan Agreement**”) with China Everbright Bank in relation to a revolving loan facility with a principal amount of up to RMB30,000,000 (the “**Jingzhou College September 2021 Loan**”). On 10 September 2021, each of the Company, the PRC Holdco, the School Sponsor, Hubei Chunlai, WFOE entered into a guarantee agreement with China Everbright Bank (collectively, the “**Company Guarantee Agreements**”), and each of Mr. Hou, Ms. Song Mengmeng (“**Ms. Song**”) and Ms. Jiang entered into a guarantee agreement with China Everbright Bank (collectively, the “**Personal Guarantee Agreements**”) and together with the Company Guarantee Agreements, the “**September 2021 Guarantee Agreements**”). Pursuant to the September 2021 Guarantee Agreements, each of the Company, PRC Holdco, School Sponsor, Hubei Chunlai, WFOE, Mr. Hou, Ms. Song and Ms. Jiang shall provide a guarantee in favour of China Everbright Bank for Jingzhou College’s liabilities under the Jingzhou College September 2021 Loan Agreement (including but not limited to the principal amount of the Jingzhou College September 2021 Loan, interest, damages, compensation, and fees incurred by China Everbright Bank in connection with any enforcement actions). Further details of the Jinzhou College September 2021 Loan and the September 2021 Guarantee Agreements are set out in the announcement of the Company dated 24 September 2021.

On 15 December 2021, Tianping College entered into the Asset Transfer Agreement with Gaochun Bureau of the Nanjing Bureau of Planning and Natural Resources* (南京市規劃和自然資源局高淳分局), pursuant to which Tianping College shall acquire the land use right of a piece of land situated east of Ninggao New Channel, Higher Vocational Education Innovation and Innovation Park (高職園寧高新通道以東) and north of Weier Road (緯二路北側) with a total area of 315,732.18 sq.m., at an estimated consideration of approximately RMB180 million (equivalent to approximately HK\$220 million) for education purposes and for the construction and development of a new school campus. Please refer to the Company’s announcement dated 17 December 2021 for further details.

On 20 December 2021, Anyang University (安陽學院), as borrower, and Zhongyuan Bank Co. Ltd., Shangqiu Branch* (中原銀行股份有限公司商丘分行), as lender (the “**Lender**”), entered into a loan agreement, pursuant to which the Lender has agreed to make available a term loan facility with a principal amount of up to RMB300,000,000 to Anyang University. On the same day, Henan Shangqiu Chunlai Education Corporation* (河南商丘春來教育集團) (the “**School Sponsor**”), as borrower, and the Lender, entered into a loan agreement, pursuant to which the Lender has agreed to make available a term loan facility with a principal amount of up to RMB90,000,000 to School Sponsor. Please refer to the Company’s announcement dated 20 December 2021 for further details of the loans.

Save as disclosed in this annual report, there was no other significant events that might affect the Group since the end of the year ended 31 August 2021.

Directors and Senior Management

The Board consists of three executive Directors, two non-executive Directors and three independent non-executive Directors.

EXECUTIVE DIRECTORS

Mr. Hou Junyu (侯俊宇), aged 30, was appointed as an executive Director on 15 November 2017 and the chairman of the nomination committee on 12 February 2018. Mr. Hou was the chief executive officer of the Company from 12 February 2018 until he relinquished his role on 25 September 2020. Mr. Hou has served as the vice chairman of the Board and chief executive officer of the School Sponsor since February 2014 and leads the day-to-day operation of the Group as well as spearheading the Group's key decisions. Since August 2012, Mr. Hou has been the associate dean of Shangqiu University, where he is responsible for managing human resources, finance and student affairs. From February 2013, he has also served as the associate dean of Anyang University, where he is responsible for student admissions and enrolment, human resources and the academy's financial affairs.

Mr. Hou attended secondary school education in the PRC and studied undergraduate course in business management and economics at the University of Sussex from October 2008 to June 2012. Mr. Hou returned to the PRC in 2012 with a view to taking up the management of the Company's operations and has since devoted his full efforts to the development and operations of the Group, and has therefore not completed the undergraduate course in the University of Sussex. Mr. Hou is the son of Ms. Jiang and Chairman Hou.

Ms. Jiang Shuqin (蔣淑琴), aged 55, was appointed as an executive Director and a member of the remuneration committee on 12 February 2018. Ms. Jiang has served as an executive director of the School Sponsor since the establishment of the Group and has been the financial controller of each of the PRC Operating Schools since their establishment. Ms. Jiang is primarily responsible for the strategic development, daily management and overseeing financial operations of the Group. Ms. Jiang has over 13 years of experience in the education industry and financial management. Ms. Jiang attended senior secondary education in the PRC. She is the spouse of Chairman Hou, mother of Mr. Hou, sister-in-law of Mr. Yang Xinzong and cousin of Mr. Jiang Yongqi.

Ms. Zhang Jie (張潔), aged 52, was the vice chief executive officer of the Company from 30 April 2019 until her appointment as an executive Director and chief executive officer of the Company on 25 September 2020. Ms. Zhang was the vice chairman of Henan Shangqiu Chunlai Education Corporation from October 2018 to 30 April 2019. Ms. Zhang obtained a bachelor's degree from Wuhan University of Technology (formerly known as Wuhan Automotive Polytechnic University (武漢汽車工業大學)) and an EMBA degree from Xi'an Jiaotong University thereafter. In November 1993, she joined the Shengda College of Economics, Business & Management of Zhengzhou University (now known as Zhengzhou Shengda University of Economics, Business & Management), and served as the chief accounting officer from November 1994 to July 1998 and director of the accounting function from August 1998 to January 2004. In February 2004, she served as the director of the preparatory office of Chenggong College of Henan University of Economics and Law (now known as Zhengzhou Business University), responsible for overall preparation of the establishment of the college. In February 2007, she served as the vice president of Shengda College of Economics, Business & Management of Zhengzhou University (now known as Zhengzhou Shengda University of Economics, Business & Management), in charge of finance, enrollment, employment, modern education technology center, laboratory construction, equipment management office and related executive functions. In 2010, she was fully responsible for and successfully completed the separation and independent operation of the decoupling between Shengda College of Economics, Business & Management of Zhengzhou University and Zhengzhou University. In March 2016, she was responsible for and successfully completed the set-up and the fulfilment of the teaching conditions for the teaching evaluation of Zhengzhou Shengda University of Economics, Business & Management required by the Ministry of Education. She has been engaged in private HEI for 28 years and has considerable experience in private HEI management.

Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Hou Chunlai (侯春來), aged 52, is the founder of the Group. Chairman Hou was appointed as a non-executive Director and chairman of the Board on 12 February 2018. He is responsible for overseeing the corporate development and strategic planning of the Group. Mr. Hou is also concerned with the following positions:

- standing director of China Association for Private Education (since November 2011); and
- director of China Association for Private Education, Higher Education Committee (January 2010 to January 2015).

Chairman Hou is also actively engaged in civil affairs in the PRC. In particular, Chairman Hou had been a delegate of the Twelfth Henan People's Congress (河南省第十二屆人民代表大會) during the period from December 2012 to December 2017. Chairman Hou was awarded 'Advanced Individual' of Henan Private Education (河南省民辦教育先進個人) by the Education Department of Henan Province (河南省教育廳) in October 2016.

Chairman Hou graduated from Nankai University (南開大學) in December 2006 with a master's degree in business administration and obtained the qualification as an associate professorship of Shangqiu University in November 2013. Chairman Hou is the spouse of Ms. Jiang and the father of Mr. Hou.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Jin Xiaobin (金曉斌), aged 67, was appointed as an independent non-executive Director, a member of the audit committee and a member of the nomination committee on 12 February 2018, taking effect on 31 August 2018. Dr. Jin is primarily responsible for supervising and providing independent judgement to the Board.

Dr. Jin is currently the principal of Shanghai Economics Development Research Institute (上海時代經濟發展研究院院長) and has been adjunct advisor of Fudan University (復旦大學), course professor of University of Science and Technology of China (中國科學技術大學), adjunct advisor for master students of Shanghai University of Finance Economics (上海財經大學), adjunct professor of Tongji University (同濟大學), invited research fellow of Peking University (北京大學) and of the Chinese Academy of Social Sciences (中國社會科學院), and visiting scholar of the Wharton School of University of Pennsylvania and the Australian Securities Institute.

Dr. Jin has more than 20 years of operating and management experience in securities industry. Dr. Jin joined Haitong Securities Co., Ltd. (海通證券股份有限公司) (“**Haitong**”), a company listed on the Stock Exchange (stock code: 6837) and the Shanghai Stock Exchange (stock code: 600837) in 1998 and had held several positions in Haitong and its subsidiaries from December 1998 to August 2015, including head of research institute of Haitong, general manager of brokerage business headquarters, assistant to the general manager of Haitong, general manager of M&A financing department, secretary to Board of Directors of Haitong, deputy director of the investment banking committee of Haitong, joint company secretary and the authorised representative of Haitong, vice president of Haitong, the chairman of Haitong Jihe Equity Investment Fund Management Co. Ltd. (海通吉禾股權投資基金管理公司) and the chairman of Haitong New Energy Equity Investment Fund Management Co. Ltd. (海通新能源股權投資基金管理公司). Dr. Jin was appointed as a director of A-Jex Investment Limited (愛建(香港)有限公司), a wholly-owned subsidiary of a company listed on the Shanghai Stock Exchange, Shanghai AJ Group Co., Ltd (上海愛建集團股份有限公司) (stock code: 600643), in April 2018.

Dr. Jin obtained a doctor’s degree in economics from Fudan University in January 1997, a master’s degree in economics from Fudan University in July 1993 and professional certification in the major in political education from Shanghai Second Institute of Education (上海第二教育學院) in July 1988. Dr. Jin worked at and conducted postdoctoral researches in finance at the Shanghai University of Finance and Economics from December 1996 to July 1999. Dr. Jin has been a deputy researcher recognised by Shanghai University of Finance and Economics since June 1998 and has been an expert with special allowance from the State Council since June 2002. Dr. Jin worked in the People’s Liberation Army Navy (中國人民解放軍海軍) from December 1972 to April 1998. He acted as the deputy director of the analysts committee under the Securities Association of China from July 2000 to July 2002, from December 2002 to December 2004 and from July 2005 to July 2007. He also acted as a professional evaluation expert of securities companies in the Securities Association of China (中國證券業協會) from January 2011 to January 2012 and a member of the Advisory Committee of Information Disclosure of Companies Listed on Shanghai Stock Exchange from November 2013 to November 2015. He has acted as a member of the Culture and Media Industry Committee of China Corporate Listing Association (中國上市公司協會文化傳媒行業委員會) and is a fellow member of The Hong Kong Institute of Chartered Secretaries.

Directors and Senior Management

Ms. Fok, Pui Ming Joanna (霍珮鳴), aged 42, was appointed as an independent non-executive Director, chairman of the remuneration committee, member of the audit committee and member of the nomination committee on 12 February 2018, taking effect on 31 August 2018. Ms. Fok is primarily responsible for supervising and providing independent judgement to the Board.

Ms. Fok has more than 13 years of experience in business development and recruitment planning. From October 2004 to October 2006, Ms. Fok was a manager of Servcorp Limited (世服宏圖商務服務(北京)有限公司), where she was responsible for the sales, marketing, recruitment and training. Ms. Fok worked at different offices of PageGroup (米高蒲志國際顧問公司), an international recruitment firm listed on the London Stock Exchange (LSE: PAGE), from 2007 to 2019. From April 2007 to October 2009, Ms. Fok served as a recruitment consultant of Michael Page International (Japan) K.K. (東京米高蒲志國際顧問公司), where she was responsible for the planning of the recruitment projects in relation to human resources and information technology. From December 2009 to September 2012, Ms. Fok served as a senior recruitment consultant of Michael Page (Shanghai) Recruitment Co., Limited (上海米高蒲志國際顧問公司), where she was responsible for the planning of the recruitment projects in relation to accounting and finance. From November 2012 to August 2014, Ms. Fok served as the associate director of Michael Page International (Hong Kong) Limited (香港米高蒲志國際顧問公司), where she was responsible for the planning of recruitment projects across sectors including business services, information technology, medical, electronics, manufacturing and retail. From June 2017 to 14 April 2019, Ms. Fok was the associate director of the human resources department of Michael Page International (Hong Kong) Limited (香港米高蒲志國際顧問公司), where she was responsible for the design and implementation of training programmes for the recruiting consultants. Ms. Fok was appointed as an associate director of the talent acquisition department of Colliers International Pacific Limited with effect from 29 April 2019.

Ms. Fok has obtained a bachelor's degree of science from University of British Columbia in May 2001 and a master's degree of public management from Tsinghua University in July 2004.

Mr. Lau, Tsz Man (劉子文), aged 38, was appointed as an independent non-executive Director, chairman of the audit committee and a member of the remuneration committee on 12 February 2018, taking effect on 31 August 2018. Mr. Lau is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Lau has more than 11 years of experience in accounting and finance. Since August 2016, Mr. Lau has been a director of Wincy Education Holdings Limited (凱晴教育控股有限公司), and since April 2017, Mr. Lau has been the chief financial officer of Nobao Energy Holdings (China) Limited (挪寶能源控股(中國)有限公司).

From September 2006 to November 2014, Mr. Lau worked at Deloitte Touche Tohmatsu (Hong Kong branch and Shanghai branch), where he was responsible for auditing. From November 2014 to March 2016, Mr. Lau was the chief accounting officer and financial controller of Shunfeng International Clean Energy Limited, a company listed on the Stock Exchange (stock code: 1165), where he was responsible for finance and accounting.

Mr. Lau is a certified public accountant and is a member of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in England and Wales. Mr. Lau obtained a bachelor's degree of business administration in marketing from City University of Hong Kong in July 2006.

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Yang Xinzong (楊新忠), aged 52, was appointed as the general manager of the Company on 12 February 2018 and has been the vice chairman of the School Sponsor since September 2013. Mr. Yang is responsible for overseeing external relations and coordinating processes and operating across our organisation. Mr. Yang has over 12 years of experience in the education industry. Mr. Yang worked at Shangqiu University between September 2005 and September 2009, where he served as the vice principal.

From March 2010 to August 2013, Mr. Yang was the person-in-charge for the construction preparation of Shangqiu University Kaifeng Campus (商丘學院應用科技學院). From September 2013 to September 2014, Mr. Yang served as the secretary of the Communist Party Committee at the Shangqiu University Kaifeng Campus (商丘學院應用科技學院). Mr. Yang graduated from Henan Normal University (河南師範大學) in July 1993 with a bachelor's degree of arts, majoring in Chinese language and literature. Mr. Yang is the brother-in-law of Ms. Jiang.

Mr. Wang Jie (王傑), aged 37, was appointed as the office manager of the Company on 12 February 2018 and has been the office manager of the School Sponsor since 18 December, 2012. Mr. Wang is responsible for overseeing our daily general office operations. Mr. Wang has over 11 years of experience in the education industry. From August 2006 to September 2007, Mr. Wang worked as an ideological and political instructor at Shangqiu University. Mr. Wang then served between September 2007 and February 2008 as the deputy office manager of Shangqiu University. From February 2008 to June 2015, Mr. Wang served as office manager of Shangqiu University. In addition to these positions, between March 2012 and December 2013, Mr. Wang also assumed the role of Head of Propaganda for the United Front Work Department of the CPC Central Committee at Shangqiu College (中共商丘學院黨委宣傳統一戰線工作部).

Mr. Wang graduated from Henan Agriculture University in 2006 with a bachelor's degree of agriculture, majoring in forestry.

Ma Shaoshuai (馬紹帥), aged 36, has been the director of human resources department of the Company since October 2020. From October 2018 to October 2019, he was the vice director of the logistics insurance and operation department of Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團). Mr. Ma obtained his bachelor's degree from Henan University and master's degree in Education from Henan Normal University and he was rated as an associate professor. Mr. Ma joined Shangqiu University in August 2011, and consecutively held positions including director of the logistics department in June 2014, person in charge of the overall administrative matters in March 2016 and vice president of Shangqiu University from 2017 to 2019, responsible for the management of, among others, logistics, assets, infrastructure construction and security of the school. He took part in Shangqiu University's preparation work for the assessment from the Ministry of Education on the teaching of bachelor degree courses and passed. In 2020, he played a role in the conversion of Hubei College into Jingzhou College.

Directors and Senior Management

Mr. Liu Wei (劉偉), aged 40, was appointed as the head of the business support services department of the Company on 12 February 2018 and has been the general manager of the business support services department of the School Sponsor since 16 April 2013. Mr. Liu is responsible for overseeing our general business support services. Mr. Liu has over 12 years of experience in administration and business support. Prior to joining of the Group, Mr. Liu worked in the Chengguan Town, Yucheng County municipal government. Between September 2005 and March 2006, Mr. Liu worked in the business support services department at Shangqiu University. From April 2006 to March 2013, Mr. Liu served as the head of the general affairs department at Shangqiu University. Mr. Liu graduated with a professional certification in financial management from Open University of China (國家開放大學) in January 2018, through long distance learning.

Mr. Sheng Yiming (盛一名), aged 31, was appointed as the chief financial officer of the Company on 25 September 2020. Mr. Sheng is primarily responsible for overseeing the daily operations of the finance department and internal compliance department of the Company. Mr. Sheng is also the chief accountant of Tianping College of Suzhou University of Science and Technology since September 2019. From September 2012 to June 2018, he served as an audit manager at Deloitte Touche Tohmatsu and gained extensive experience in annual audit and listing related matters. From June 2015 to February 2016, Mr. Sheng was a senior manager at Everbright Securities Company Limited, investment banking department. Mr. Sheng received his postgraduate degree in finance and business management from the Shanghai Advanced Institute of Finance, Shanghai Jiao Tong University in 2018. Mr. Sheng is a certified public accountant and a qualified lawyer in the PRC.

COMPANY SECRETARY

Mr. Wong Yu Kit (黃儒傑), was appointed as the company secretary of the Company on 22 June 2018. Mr. Wong is a vice president of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specialising in corporate services, and has over 10 years of experience in the corporate services field. Mr. Wong obtained a bachelor's degree in business administration and management from the University of Huddersfield of the United Kingdom and a master's degree in corporate governance from the Hong Kong Metropolitan University (formerly known as the Open University of Hong Kong). Mr. Wong is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

CHANGES TO DIRECTORS' INFORMATION

There is no change to the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Report of Directors

The Board of the Company is pleased to present this Directors' report together with the consolidated financial statements of the Group for the Reporting Period.

DIRECTORS

The Directors who held office during the Reporting Period and up to the Latest Practicable Date are:

Executive Directors

Mr. Hou Junyu (侯俊宇)

Ms. Jiang Shuqin (蔣淑琴)

Ms. Zhang Jie (張潔) (*Chief Executive Officer*) (*appointed on 25 September 2020*)

Non-executive Directors

Mr. Hou Chunlai (侯春來) (*Chairman*)

Mr. Hao Xiaohui (郝曉暉) (*Vice Chairman*) (*appointed on 25 September 2020 and resigned on 8 February 2021*)

Independent Non-executive Directors

Dr. Jin Xiaobin (金曉斌)

Ms. Fok, Pui Ming Joanna (霍珮鳴)

Mr. Lau, Tsz Man (劉子文)

Biographical details of the Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" on pages 20 to 25 of this annual report.

PRINCIPAL ACTIVITIES

The Group's main operating activities include its wholly-owned sponsored schools, including Anyang University, Shangqiu University, Shangqiu University Kaifeng Campus Jiankang College and Jingzhou College (formerly Hubei College), which were established in the PRC and engaged in private higher education. The Group also participates in the operation of Tianping College, an independent college of Suzhou University of Science and Technology in Jiangsu Province.

An analysis of the principal activities of the Group during the Reporting Period is set out in Note 7 to the consolidated financial statements.

Report of Directors

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance, an indication of likely future developments in the Group's business and the Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this annual report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Events after the Reporting Period" in the section headed "Management Discussion and Analysis" in this annual report.

The environmental policies and performance, compliance with relevant laws and regulations and relationships with employees are also discussed in the Environmental, Social and Governance Report on pages 62 to 127 of this annual report.

FIVE YEAR FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the consolidated financial statements, is set out on page 5 of this annual report. This summary does not form part of the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the Reporting Period and details of the Shares issued during the Reporting Period are set out in Note 28 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 36 to the consolidated financial statements.

KEY RELATIONSHIP WITH STAKEHOLDERS

The Company is committed to maintaining a good relationship with teachers, students and other stakeholders that have a significant impact on the Company and on which the Company's success depends. Further details are set out in the "Environmental, Social and Governance Report" section of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth.

Report of Directors

PRINCIPAL RISKS AND UNCERTAINTIES

Save as disclosed in the section headed “Risks relating to the Contractual Arrangements” in this annual report, the following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond its control:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our ability to maintain or increase student enrolment in our colleges;
- our ability to maintain or increase tuition fees;
- our ability to maintain or increase utilisation of our facilities;
- our capital expenditure programmes and future capital requirements;
- our future general and administrative expenses;
- competition for, among other things, capital, technology and skilled personnel (including teaching staff);
- our ability to control costs;
- our ability to remit dividends; and
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate.

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

PRE-EMPTIVE RIGHTS

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

Report of Directors

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the Reporting Period are set out in Note 16 to the consolidated financial statements.

The book value of the properties held by the Group for owner occupation at 31 August 2021 as included in the consolidated financial statements in this annual report was RMB2,353 million.

DONATIONS

During the Reporting Period, the Group made nil charitable donations (2020: nil).

DEBENTURES ISSUED

The Group did not issue any debenture during the Reporting Period and up to the Latest Practicable Date.

EQUITY-LINKED AGREEMENTS

Save for the Pre-IPO Share Option Scheme and the Share Award Scheme of the Group as set out in this section, no equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

DIVIDENDS

The Board does not recommend the payment of final dividend for the year ended 31 August 2021 (2020: nil).

No Shareholder has waived or agreed to waive any dividends for the year ended 31 August 2021.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force for the Reporting Period. The Company has also taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company during the Reporting Period are set out in Note 35 to the consolidated financial statements. The distributable reserves of the Company as at 31 August 2021 were nil.

Report of Directors

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at 31 August 2021 are set out in the section headed "Management Discussion and Analysis" in this annual report and in Note 27 to the consolidated financial statements.

TAX RELIEF AND EXEMPTION

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

MAJOR CUSTOMERS AND SUPPLIERS

Our customers primarily are our students. Our five largest customers accounted for less than 30% of our revenue for each of the years ended 31 August 2020 and 2021. We did not have any single customer who accounted for more than 5% of our revenue for each of the years ended 31 August 2020 and 2021.

Our suppliers primarily comprise suppliers of textbooks, uniforms and teaching equipment, and construction companies for building campus facilities. For the years ended 31 August 2020 and 2021, purchases from our five largest suppliers amounted to RMB363.1 million and RMB251.5 million, respectively, which represented 61.7% and 60% of our total purchases in the respective periods. During the same periods, purchases from our largest supplier amounted to RMB132.0 million and RMB66.6 million, respectively, which represented 22.4% and 16% of our total purchases in the respective periods. Our largest supplier during the Reporting Period is a construction company that we engaged to construct campus facilities.

None of our Directors, their respective associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our five largest suppliers during the Reporting Period and up to the Latest Practicable Date.

Report of Directors

PRE-IPO SHARE OPTION SCHEME

In order to incentivize the Directors, senior management and other employees for their contribution to the Group and to attract and retain suitable personnel to the Group, the Company adopted the Pre-IPO Share Option Scheme effective from 9 August 2018. The purpose of the Pre-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Pre-IPO Share Option Scheme provides the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

As at 31 August 2021, share options for 35,950,000 Shares were granted to 27 participants under the Pre-IPO Share Option Scheme. No further options will be granted under the Pre-IPO Share Option Scheme subsequent to the Listing Date.

A summary of the terms of the Pre-IPO Share Option Scheme is set out below:

Maximum Number of Shares Available for Issue under the Pre-IPO Share Option Scheme

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme at any time shall not exceed 35,950,000 Shares, representing approximately 3% of the total number of issued Shares of the Company as at the Latest Practicable Date.

Exercise Period

An option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 20 years from the date of grant of the option subject to the provisions for early termination under the Pre-IPO Share Option Scheme.

Report of Directors

Payment on Acceptance of Share Option

An amount of RMB1.00 is payable upon acceptance of the grant of an option.

Determination of Exercise Price

The exercise price in relation to each option granted under the Pre-IPO Share Option Scheme is HK\$0.00001 per Share or such other price as may be determined by the Board.

Remaining Life of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme is valid and effective for a period of 20 years from 9 August 2018 until 9 August 2038. The remaining life of the scheme is approximately 17 years.

Outstanding Share Options

The table below shows details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme. For further details on the movement of the options during the Reporting Period, please see Note 29 to the consolidated financial statements.

Grantee	Position held with the Group	Date of Grant	Option period	Exercise price	Outstanding as at 1 September 2020	Exercised during the Reporting Period	Forfeited/ Cancelled/ Lapsed during the Reporting Period	Outstanding as at 31 August 2021
Director								
Chairman Hou	Non-executive Director and chairman of the Board	9 August 2018	20 years from the date of grant	HK\$0.00001	8,000,000	-	-	8,000,000
Ms. Jiang	Executive Director	9 August 2018	20 years from the date of grant	HK\$0.00001	8,000,000	-	-	8,000,000
Mr. Hou	Executive Director and chief executive officer	9 August 2018	20 years from the date of grant	HK\$0.00001	6,000,000	-	-	6,000,000
Other grantees in aggregate		9 August 2018	20 years from the date of grant	HK\$0.00001	13,950,000	-	-	13,950,000
TOTAL					35,950,000	-	-	35,950,000

None of the share options granted referred to above had been forfeited, cancelled or lapsed during the Reporting Period.

Report of Directors

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme by the resolutions in writing of the Shareholders on 24 August 2018. The Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules.

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

Number of Shares Available under the Share Award Scheme

The aggregate number of Shares underlying all grants made pursuant to the Share Award Scheme (excluding share which have been forfeited in accordance with the Share Award Scheme) will not exceed 84,000,000 Shares (representing 7% of the aggregate nominal amount of the issued capital of the Company as at the Listing Date) without further Shareholders' approval (the "**Share Award Scheme Limit**").

Under the current Share Award Scheme Limit, new Shares of up to 84,000,000 Shares may be issued by the Company within ten years of the Listing Date.

Maximum Entitlement of Participant

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

Duration and Termination

The Share Award Scheme shall be valid and effective for a period of 10 years (after which no Awards will be granted), and thereafter for so long as there are any non-vested Shares granted prior to the expiration of the Share Award Scheme, in order to give effect to the vesting of such Shares or otherwise as may be required in accordance with the rules of the Share Award Scheme.

Restrictions

No Award shall be made to selected participants with respect to a grant of an Award under the Share Award Scheme: (i) where any director of the Company is in possession of unpublished inside information in relation to the Company or where dealings by directors of the Company are prohibited under any code or requirement of the Listing Rules or any applicable laws, rules or regulations; (ii) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (iii) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results.

Report of Directors

Vesting and Lapse

The Board or its delegate(s) may from time to time while the Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

If there is an event of change in control of the Company by way of a merger, a privatization of the Company by way of a scheme or by way of an offer, the Board or the committee of the Board or person(s) to which the Board has delegated its authority shall at their sole discretion determine whether the vesting dates of any Awards will be accelerated to an earlier date.

Share Award Grants

As at 31 August 2021, no Shares have been granted or agreed to be granted under the Share Award Scheme.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company has established the remuneration committee of the Company to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the remuneration committee. The Directors and the senior management personnel are eligible participants of the Pre-IPO Share Option Scheme and the senior management personnel are eligible participants of the Share Award Scheme. Details of the remuneration of the Directors and the five highest paid individuals are set out in Note 13 to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

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

As at 31 August 2021, the interests and short positions of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director or chief executives of our Company is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange, were as follows:

Report of Directors

Interest in the Company

Name of Director	Capacity/Nature of Interest	Relevant Company	Number of Shares ⁽⁴⁾	Approximate Percentage of Shareholding in the Company ⁽¹⁾
Mr. Hou	Interest in a controlled corporation	Chunlai Investment ⁽²⁾	900,000,000 (L)	75%
	Share options granted under the Pre-IPO Share Option Scheme	N/A	6,000,000 (L)	0.50%
Chairman Hou	Share options granted under the Pre-IPO Share Option Scheme	N/A	8,000,000 (L)	0.67%
	Interest of spouse ⁽³⁾	N/A	8,000,000 (L)	0.67%
Ms. Jiang	Share options granted under the Pre-IPO Share Option Scheme	N/A	8,000,000 (L)	0.67%
	Interest of spouse ⁽³⁾	N/A	8,000,000 (L)	0.67%

Notes:

- (1) The calculation is based on the total number of 1,200,000,000 Shares in issue as at 31 August 2021.
- (2) Chunlai Investment is wholly-owned by Mr. Hou. Thus, Mr. Hou is deemed to be interested in the Shares in which Chunlai Investment is interested by virtue of the SFO.
- (3) As Chairman Hou and Ms. Jiang are husband and wife, each of them is deemed to be interested in the interest held by them by virtue of the SFO.
- (4) The Letter "L" denotes the person's long position (as defined under Part XV of the SFO) in the Shares.

Interest in Associated Corporations

Name of Director	Capacity/Nature of Interest	Name of associated corporation	Amount of issued share capital/registered capital/sponsor capital in the associated corporation	Percentage of holding in the associated corporation
Mr. Hou	Beneficial owner	Chunlai Investment	US\$1	100%
	Beneficial owner	The PRC Holdco	RMB30,000,000	100%
	Beneficial owner ⁽¹⁾	The School Sponsor	RMB113,740,000	100%
Chairman Hou	Beneficial owner ⁽¹⁾ and interest of spouse ⁽²⁾	The School Sponsor	RMB33,780,000	29.7%
Ms. Jiang	Beneficial owner ⁽¹⁾ and interest of spouse ⁽²⁾	The School Sponsor	RMB33,780,000	29.7%

Notes:

- (1) The sponsor interest of the School Sponsor is held as to 69.3% by Mr. Hou (RMB78,820,000), as to 19.8% by Chairman Hou (RMB22,520,000), as to 9.9% by Ms. Jiang (RMB11,260,000) and as to 1% by the PRC Holdco (RMB1,140,000). Mr. Hou, Chairman Hou and Ms. Jiang agreed that Mr. Hou would effectively own the sponsor interests of the School Sponsor held by Chairman Hou and Ms. Jiang.
- (2) As Chairman Hou and Ms. Jiang are husband and wife, each of them is deemed to be interested in the interest held by them by virtue of the SFO.

Report of Directors

Save as disclosed above, as at 31 August 2021, so far as is known to the Directors or the chief executives of the Company, none of the Directors nor the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

As at 31 August 2021, so far as the Directors are aware, the following persons (other than our Directors or chief executives of our Company) had interests or short positions in the Shares or underlying Shares of the Company which would be required 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	Capacity/Nature of Interest	Number of Shares ⁽³⁾	Approximate Percentage of Shareholding ⁽¹⁾
Mr. Hou ⁽²⁾	Interest in a controlled corporation	900,000,000(L)	75%
	Share options granted under the Pre-IPO Share Option Scheme	6,000,000(L)	0.50%
Chunlai Investment	Beneficial owner	900,000,000(L)	75%
Xiang Rong International Limited	Beneficial owner	66,037,000(L)	5.50%

Notes:

- (1) The percentages are calculated on the basis of 1,200,000,000 Shares in issue as at 31 August 2021.
- (2) Chunlai Investment is wholly-owned by Mr. Hou. Thus, Mr. Hou is deemed to be interested in the same number of shares in which Chunlai Investment is interested by virtue of the SFO.
- (3) The Letter "L" denotes the person's long position (as defined under Part XV of the SFO) in the Shares.

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive and non-executive Directors has entered into a service contract with our Company for a period of three years, subject to renewal after the expiry of the then current term.

Report of Directors

Each of our independent non-executive Directors has entered into an appointment letter with our Company for a period of three years, subject to renewal after the expiry of the then current term.

None of the Directors proposed for re-election at the annual general meeting has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the Reporting Period.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their 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.

DIRECTORS' RETIREMENT BENEFITS

During the Reporting Period, no retirement benefits were paid to or receivable by the Directors in respect of their services as Directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2020: nil).

Report of Directors

DIRECTORS' TERMINATION BENEFITS

During the Reporting Period, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the Directors, nor are any payable (2020: nil).

CONSIDERATION PROVIDED TO THIRD PARTIES FOR MAKING AVAILABLE DIRECTORS' SERVICES

During the Reporting Period, no consideration was provided to or receivable by third parties for making available Directors' services (2020: nil).

INFORMATION ABOUT LOANS, QUASI-LOANS AND OTHER DEALINGS IN FAVOR OF DIRECTORS, CONTROLLED BODIES CORPORATE BY AND CONNECTED ENTITIES WITH SUCH DIRECTORS

During the Reporting Period, there were no loans, quasi-loans and other dealings in favor of the Directors, controlled bodies corporate by and connected entities with such Directors (2020: nil).

CONTROLLING SHAREHOLDERS' AND DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save and except for the interests of the Controlling Shareholders in the Group, during the Reporting Period, neither the Controlling Shareholders nor any of the Directors had any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

The independent non-executive Directors confirmed that they have reviewed the information provided by the Controlling Shareholders and were satisfied that there were no conflicts of interests between the Group and the Controlling Shareholders throughout the Reporting Period.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

No contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the Reporting Period.

MANAGEMENT CONTRACTS

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

Report of Directors

CONNECTED TRANSACTIONS

Non-Exempt Continuing Connected Transactions

We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business, which constitute continuing connected transactions under the Listing Rules. We set out below details of the continuing connected transactions for our Group.

Contractual Arrangements

Reasons for the Contractual Arrangements

We currently conduct our private education business through our consolidated affiliated entities in the PRC because PRC laws and regulations, or the implementation of those laws and regulations by the relevant government authorities, generally prohibit or restrict foreign ownership in the private education industry in the PRC. Currently, PRC laws and regulations restrict the operation of higher education institutions to Sino-foreign cooperative joint venture ownership, in addition to imposing a qualification requirement on the foreign owners. Further, government approvals in respect of Sino-foreign cooperative joint venture ownership in the private education sector have, with very limited exceptions, been withheld in practice. The Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits from our consolidated affiliated entities, have been narrowly tailored to achieve our business purpose and minimise the potential conflict with relevant PRC laws and regulations.

In order to comply with the PRC laws and regulations as set out above while availing ourselves to international capital markets and maintaining effective control over all of our operations, our wholly-owned subsidiary, WFOE, entered into various agreements that together constitute the Contractual Arrangements with, among others, our consolidated affiliated entities, under which substantially all economic benefits arising from the businesses of our consolidated affiliated entities are transferred to WFOE to the extent permitted under the PRC laws and regulations by means of service fees payable by our consolidated affiliated entities to WFOE.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business, that such transactions have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the respective agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Risks relating to the Contractual Arrangements

The Company believes the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 43 to 50 of the Prospectus.

- The PRC government may find that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations, which may subject us to severe penalties and our business may be materially and adversely affected.

Report of Directors

- Uncertainties exist with respect to the interpretation and implementation of the newly enacted PRC Foreign Investment Law and how it may affect the viability of our current corporate structure, corporate governance and business operations.
- The Contractual Arrangements may not be as effective in providing control over our consolidated affiliated entities as direct ownership.
- The beneficial owners of our consolidated affiliated entities may have conflicts of interest with us, which may materially and adversely affect our business and financial condition.
- Our exercise of the option to acquire the equity interests or sponsor interests (as the case may be) of our consolidated affiliated entities may be subject to certain limitations and we may incur substantial costs.
- Any failure by our consolidated affiliated entities or their respective shareholders or sponsors to perform their obligations under our Contractual Arrangements would potentially lead to the incurrence of additional costs and the expending of substantial resources on our part to enforce such arrangements, temporary or permanent loss of control over our primary operations or loss of access to our primary sources of revenue.
- The Contractual Arrangements may be subject to the scrutiny of the PRC tax authorities and additional tax may be imposed, which may materially and adversely affect our results of operations and value of your investment.
- Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.
- The School Sponsor is a private non-enterprise entity (民辦非企業單位), the sponsor interest of which is not capable of being pledged in favour of WFOE under PRC laws. Our Contractual Arrangements implement alternative arrangements that may not achieve the level of protection equivalent to typical contractual arrangements where the school sponsor is an enterprise, the equity interest of which is subject to equity pledge arrangements.
- We rely on dividend and other payments from the WFOE to pay dividends and other cash distributions to our Shareholders and any limitation on the ability of the WFOE to pay dividends to us would materially and adversely limit our ability to pay dividends to our Shareholders.
- If any of our consolidated affiliated entities becomes subject to winding up or liquidation proceedings, we may lose the ability to enjoy certain important assets, which could negatively impact our business and materially and adversely affect our ability to generate revenue.

Report of Directors

Contractual Arrangements in Place

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

- (a) acceptance letter dated 1 June 2021 executed by Jingzhou College and Hubei Chunlai Education, pursuant to which Hubei Chunlai Education agreed to be a party to and be bound by the Contractual Arrangements;
- (b) acceptance letter dated 9 June 2020 executed by Jiankang College and Hubei Chunlai Education, pursuant to which Hubei Chunlai Education agreed to be a party to and be bound by the Contractual Arrangements;
- (c) an irrevocable power of attorney dated 22 February 2018 executed by Mr. Hou, Chairman Hou and Ms. Jiang in favour of the PRC Holdco, pursuant to which the PRC Holdco (or its designated person(s)) was appointed as attorney-in-fact to exercise all the rights of Mr. Hou, Chairman Hou and Ms. Jiang in relation to the School Sponsor at the discretion of the PRC Holdco (or its designated person(s));
- (d) an irrevocable power of attorney dated 22 February 2018 executed by the PRC Holdco in favour of WFOE, pursuant to which WFOE (or its designated person(s)) was appointed as attorney-in-fact to exercise all the rights of the PRC Holdco in relation to the School Sponsor, Anyang University and Shangqiu University (including Shangqiu University Kaifeng Campus) at the discretion of WFOE (or its designated person(s));
- (e) an irrevocable power of attorney dated 22 February 2018 executed by Mr. Hou in favour of WFOE, pursuant to which WFOE (or its designated person(s)) was appointed as attorney-in-fact to exercise all the rights of Mr. Hou in relation to the PRC Holdco at the discretion of WFOE (or its designated person(s));
- (f) an irrevocable power of attorney dated 22 February 2018 executed by the School Sponsor in favour of WFOE, pursuant to which WFOE (or its designated person(s)) was appointed as attorney-in-fact to exercise all the rights of the School Sponsor in relation to Anyang University and Shangqiu University (including Shangqiu University Kaifeng Campus) at the discretion of WFOE (or its designated person(s));
- (g) an exclusive management consultancy and business cooperation agreement dated 22 February 2018 entered into by and between (i) WFOE, (ii) the PRC Holdco, (iii) the subsidiary entities of the PRC Holdco as described in the exclusive management consultancy and business cooperation agreement, including the School Sponsor, Anyang University and Shangqiu University (including Shangqiu University Kaifeng Campus), the list of which is to be updated from time to time pursuant to the exclusive management consultancy and business cooperation agreement to include entities that the PRC Holdco invests in and controls (including via contractual arrangements), including but not limited to companies, schools and related entities which the PRC Holdco and the School Sponsor directly or indirectly hold more than 50% investment interests thereof ((ii) and (iii) collectively, the “**Consolidated Affiliated Entities**”), and (iv) Mr. Hou, pursuant to which WFOE agreed to provide to the Consolidated Affiliated Entities exclusive corporate management consultancy, educational management consultancy, intellectual property licensing as well as technical and business support, and in return, the Consolidated Affiliated Entities shall pay service fees to WFOE;

Report of Directors

- (h) an exclusive call option agreement dated 22 February 2018 entered into by and between WFOE, Mr. Hou, Chairman Hou, Mr. Jiang, the PRC Holdco and the School Sponsor, pursuant to which WFOE (or its designated third party) was unconditionally and irrevocably granted an exclusive option to purchase all or part of the equity interests or sponsor interests (as the case may be) in any of the PRC Holdco, the School Sponsor, Anyang University and Shangqiu University (including Shangqiu University Kaifeng Campus);
- (i) an equity pledge agreement dated 22 February 2018 entered into by and between WFOE, Mr. Hou and the PRC Holdco, pursuant to which Mr. Hou unconditionally and irrevocably pledged all of his equity interests in the PRC Holdco to WFOE;
- (j) a receivables pledge agreement dated 22 February 2018 entered into by and between WFOE, Shangqiu University (including Shangqiu University Kaifeng Campus) ("**Shangqiu University**"), Anyang University (together with Shangqiu University, the "**Schools**") and the School Sponsor, pursuant to which the School Sponsor and the Schools agreed to, among other things, grant first priority pledge to WFOE over, (i) the Schools' existing and future receivables from tuition fees and boarding fees, (ii) the Schools' existing and future creditor's rights arising from leasing the Schools' properties, (iii) the Schools' existing and future creditor's rights arising from its services and (iv) the relevant proceeds received by the School Sponsor from third parties due to sale, transfer, assignment or any other forms of disposal of the sponsor interests in the schools held by it.

During the Reporting Period, there was no material change in the Contractual Arrangements. There was also no termination of the Contractual Arrangements, nor was there any failure to terminate when the restrictions that led to the adoption of the Contractual Arrangements are removed.

The extent to which the Contractual Arrangements relate to requirements other than the foreign ownership restriction

All of the Contractual Arrangements are subject to the restrictions as set out on pages 183 to 190 of the Prospectus.

Mitigation actions taken by the Company

The Company's management works closely with Mr. Hou and its external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements.

Report of Directors

Revenue and Assets subject to the Contractual Arrangements

The revenue, profit before tax and total assets subject to the Contractual Arrangements are set out as follows:

	Year ended 31 August 2021 <i>RMB'000</i>	Year ended 31 August 2020 <i>RMB'000</i>
Revenue	1,041,999	702,493
Profit before tax	411,838	201,461
	As at 31 August 2021 <i>RMB'000</i>	As at 31 August 2020 <i>RMB'000</i>
Total assets	4,634,719	3,296,286

For the year ended 31 August 2021, the revenue and profit before tax subject to the Contractual Arrangements amounted to approximately 100% (2020: 100%) and 68% (2020: 136%) of the revenue and profit before tax of the Group.

As at 31 August 2021, the total assets subject to the Contractual Arrangements amounted to approximately 92% (2020: 87.82%) of the total assets of the Group.

Listing Rule Implications

Mr. Hou is an executive Director and our Controlling Shareholder, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.

Waiver from the Stock Exchange and Annual Review

The Stock Exchange has granted the Company a waiver from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; and (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules.

Report of Directors

Confirmation from Independent Non-executive Directors

The Company's independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out during the Reporting Period have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the Reporting Period, (iii) no new contracts were entered into, renewed or reproduced between the Group and the consolidated affiliated entities during the Reporting Period, and (iv) the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group on normal commercial terms or better and are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmations from the Company's Independent Auditor

ZHONGHUI ANDA CPA Limited ("**Zhonghui Anda**"), 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 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Zhonghui Anda has issued their unqualified letter to the Board containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with the Listing Rules and confirming the matters as stated in Rule 14A.56 of the Listing Rules.

Zhonghui Anda has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended 31 August 2021:

- (a) nothing has come to their attention that causes the Auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;
- (b) nothing has come to their attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions; and
- (c) with respect to the aggregate amount of the continuing connected transactions, nothing has come to their attention that causes the Auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap, if any, as set by the Company.

Save as disclosed above, during the Reporting Period, no related party transactions disclosed in Note 33 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the Reporting Period.

Report of Directors

QUALIFICATION REQUIREMENT

On 15, March 2019, the National People's Congress promulgated the Foreign Investment Law (中華人民共和國外商投資法) ("FIL"), which came into effect on 1, January 2020. On 26 December 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law (中華人民共和國外商投資法實施條例) (the "**Implementation Regulations**"), which came into effect on 1 January 2020. The FIL and the Implementation Regulations replaced the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The FIL and the Implementation Regulations embody an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

Though the FIL does not explicitly classify contractual arrangements as a form of foreign investment, it contains a catch-all provision under the definition of "foreign investment", which includes investments made by foreign investors in China through means stipulated in laws or administrative regulations or other methods prescribed by the State Council without elaboration on the meaning of "other methods". The Implementation Regulations is also silent on whether foreign investment includes contractual arrangements. Therefore, the FIL and the Implementation Regulations still leave leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. Given that the FIL and the Implementation Regulations are relatively new, uncertainties still exist in relation to their interpretation and implementation. The Company believes that any attempt to evaluate the potential impact that they will have on the Contractual Arrangements and the business of our Group would be premature. The Board will continuously monitor any future laws, administrative regulations or provisions promulgated by the State Council in relation to the contractual arrangements and seek guidance from our PRC Legal Adviser to ensure compliance with all relevant rules and regulations in the PRC at all times.

Updates in Relation to the Qualification Requirement

The foreign investor in a Sino-foreign joint venture school for PRC students at higher education institutions must be a foreign educational institution with relevant qualification and high quality of education (the "**Qualification Requirement**"). The foreign portion of the total investment in a sino-foreign joint venture private school should be below 50% (the "**Foreign Ownership Restriction**") and domestic party of the sino-foreign joint venture shall play a dominant role (the "**Foreign Control Restriction**").

On the basis that (a) the principals and other chief executive officers of our PRC Operating Schools, Tianping College are PRC nationals; and (b) the representatives or the directors of our PRC Operating Schools and Tianping College are appointed by PRC entities, our PRC Legal Adviser is of the view that our PRC Operating Schools and Tianping College are in full compliance with the Foreign Control Restriction as stipulated above.

Our PRC Legal Adviser has advised that it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant education authority that it meets the Qualification Requirement.

Report of Directors

Efforts and Actions Undertaken to Comply with the Qualification Requirement

The Group is implementing a business plan with a view to expanding our education operations overseas. The Group believes that such business plan represents our commitment and a meaningful endeavour to demonstrate compliance with the Qualification Requirement.

The Group is also in the process of communicating or negotiating with certain experienced and reputational overseas education service providers in various forms of potential cooperation, including but not limited to expanding our school network abroad. Our subsidiary in Hong Kong, Chunlai (Hong Kong), will serve as the main control hub of our overseas business and will be responsible for, among other things:

1. negotiating and executing contracts for international business cooperation, such as contracts for cooperation with foreign education institutions in organising international classes or courses;
2. investing in or acquiring overseas education businesses as and when appropriate;
3. holding our overseas intellectual property rights and licensing them to our international partners; and
4. recruiting and employing overseas education business professionals and advisers outside of PRC.

CHANGE OF SCHOOL SPONSOR OF HUBEI COLLEGE (NOW KNOWN AS JINGZHOU COLLEGE)

As disclosed in the Prospectus, the Company was in the course of applying for the change of school sponsor of Hubei College (now known as Jingzhou College), subject to MOE approval. As disclosed in the announcement of the Company dated 29 October 2021, the change of school sponsor became effective during the Reporting Period.

REGULATORY UPDATE

On 7 November 2016, the 2016 Decision, namely the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改民辦教育促進法的決定》) was approved by the Standing Committee of the National People's Congress, which became effective on 1 September 2017. The 2016 Decision has made certain amendments to the Law for Promoting Private Education. According to the 2016 Decision, school sponsors of private schools can choose to establish schools as non-profit or for-profit entities, with the exception of schools providing compulsory education, which can only be established as non-profit entities.

Under the 2016 Decision, a private school electing to re-register as a for-profit school must carry out financial settlement procedures, clarify property ownership, pay relevant taxes and fees, and re-apply for registration. The specific registration requirements for existing private schools shall be formulated by the provincial governments. Pursuant to the Henan Implementation Opinions, Private HEIs in Henan Province shall complete the re-registration procedures by the end of year 2022. Despite the issuance of the Henan Implementation Opinions, the Hubei Implementation Opinions, Implementation Opinions of Jiangsu Government on Encouraging Social Groups to Engage in Education and Promoting the Healthy Development of Private Education (江蘇省政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見) and Implementation Rules for Classification and Registration of Private Schools in Jiangsu Province (江蘇省民辦學校分類登記實施細則), the specific requirements, policies and procedures for re-registration as for-profit or non-profit private schools remain unclear in Henan and Hubei, and Jiangsu provinces. As such, we are unable to quantify the impact that the 2016 Decision may have on our business operations.

As of 31 August 2021, there is no update in relation to the Group's re-registration as a for-profit or non-profit private school.

Report of Directors

The Regulations on the Implementation of the Law for Promoting Private Education (《民辦教育促進法實施條例》) (the “**Private Education Regulation**”) was initially issued by the State Council on 5 March 2004 as the primary implementing regulation of the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》). After the revision of the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) in 2016, the State Council started to revise the Private Education Regulation. On 14 May 2021, the State Council promulgated the 2021 Revised Private Education Regulations, which have become effective since 1 September 2021. The 2021 Revised Private Education Regulations provide that:

- (i) a non-profit private school shall use the accounts filed with the competent authorities for transactions of fees collection and other activities, and a for profit private school shall deposit all of the school’s income into a designated account of its own;
- (ii) private schools providing compulsory education may not transact with connected parties, while transactions between other private schools and their connected parties should follow the principles of transparency, fairness and justice, be reasonably priced and be duly approved internally;
- (iii) a for-profit private school providing education for academic credentials shall have such amount of registered capital commensurate with its type, level and operating scale;
- (iv) school sponsors or actual controllers who operate and/or control multiple private schools shall have sufficient resources and capacities and take the management and supervisory responsibilities for those private schools they operate; and
- (v) the school sponsor of an “existing private school” may, in accordance with its lawful rights and interests, reach agreements with its succeeding school sponsor on the proceeds from the change of school sponsor; the change of controlling shareholder(s) or actual controller(s) shall be filed with relevant government authorities and issue public announcement.

UPDATE ON NON-COMPLIANCE MATTERS

Buildings

As of 31 August 2021, we owned buildings with a total ground floor area of approximately 0.61 million square metres. We have not obtained building ownership certificates for a substantial portion of our buildings primarily because they were not constructed in full compliance with applicable rules and regulations in the PRC. We commenced construction of these buildings on land when the relevant land use right certificates were still under application, as our management believed that it was a practice acceptable to the relevant local authorities and in compliance with local policies.

We are proactively liaising with the relevant government authorities with a view to complying with the relevant requirements as soon as practicable. As of 31 August 2021, we were in the process of applying for the relevant construction land use planning permits (建設用地規劃許可) and construction planning permits (建設工程規劃許可) for our non-compliant buildings.

We consider that the non-compliance issues concerning our buildings will not have any material adverse effect on our operations as a whole.

The Company undertakes that it will rectify all non-compliances in a timely manner and will update the progress of the rectification of the non-compliance incidents in the Company’s subsequent interim and annual reports.

Report of Directors

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant 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 applicable laws and regulations by the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the Reporting Period.

MATERIAL LITIGATION

The Group was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Reporting Period.

USE OF NET PROCEEDS FROM LISTING

Our Shares were listed on the Stock Exchange on 13 September 2018. The net proceeds from the Listing amounted to approximately RMB489.8 million (equivalent to approximately HK\$552.6 million). As of 31 August 2021, the utilization breakdown of the net proceeds is set out below:

	Net proceeds from the Global offering <i>RMB million</i>	Unutilised amount as of 1 September 2020 <i>RMB million</i>	Utilisation during the year ended 31 August 2021 <i>RMB million</i>	Unutilised amount as of 31 August 2021 <i>RMB million</i>
Acquisition of land use rights and building education and living facilities of our current colleges	244.9	146.4	42.3	104.1
Acquisition of or cooperation with other universities in China	146.9	0.0	0.0	0.0
Repayment of loans	49.0	0.0	0.0	0.0
Working capital and general corporate purposes	49.0	34.8	14.5	20.3
Total	489.8	181.2	56.8	124.4

The remaining balance of the net proceeds (approximately RMB124.4 million) is held as short-term deposits. The Company expects to gradually apply the remaining unutilised net proceeds in the manner set out below:

- RMB104.1 million for the acquisition of land use rights and building education and living facilities of our current colleges by September 2024; and
- RMB20.3 million for working capital and general corporate purposes by September 2023.

Report of Directors

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the Latest Practicable Date, the Company has maintained the prescribed percentage of public float under the Listing Rules.

AUDITOR

The Company had appointed ZHONGHUI ANDA CPA Limited as the auditor of the Group with effect from 12 January 2020 to fill the vacancy which arose from the resignation of Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

The consolidated financial statements of the Group for the Reporting Period have been audited by ZHONGHUI ANDA CPA Limited, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

By the order of the Board

Mr. Hou Chunlai

Chairman

Hong Kong

30 November 2021

Corporate Governance Report

The Board is pleased to present the corporate governance report for the Company for the year ended 31 August 2021.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices. Reference is made to the annual results announcement of the Company dated 30 November 2021 in respect of the Company's compliance with the CG Code. The Company would like to clarify that save as disclosed below, during the Reporting Period and up to the Latest Practicable Date, the Company has complied with all the applicable code provisions set out in the CG Code.

During the Reporting Period, the Company held 3 full board meetings instead of at least four full board meetings as required under Code Provision A.1.1. The Directors and senior management are in constant communication in regards to the operations of the Company and consider it is more efficient to hold formal board meetings to approve the Company's financial results and otherwise when critical issues arise, as appropriate. At the same time, the executive Directors and management ensure that the independent non-executive Directors are regularly updated on the developments of the Company, including operational and financial updates, and solicit their input on key decisions as necessary. Sufficient measures have been taken to ensure that there is efficient communication among the Directors.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the CG Code, and maintain a high standard of corporate governance practices of the Company.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company.

Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the Reporting Period and up to the Latest Practicable Date.

BOARD OF DIRECTORS

The Board currently comprises seven members, consisting of three executive Directors, one non-executive Director and three independent non-executive Directors.

During the Reporting Period and up to the Latest Practicable Date, the composition of the Board comprises the following Directors:

Executive Directors

Mr. Hou Junyu (侯俊宇)

Ms. Jiang Shuqin (蔣淑琴)

Ms. Zhang Jie (張潔) (*Chief Executive Officer*) (*appointed on 25 September 2020*)

Non-executive Directors

Mr. Hou Chunlai (侯春來) (*Chairman*)

Mr. Hao Xiaohui (郝曉暉) (*Vice Chairman*) (*appointed on 25 September 2020 and resigned on 8 February 2021*)

Independent non-executive Directors

Dr. Jin Xiaobin (金曉斌)

Ms. Fok, Pui Ming Joanna (霍珮鳴)

Mr. Lau, Tsz Man (劉子文)

Corporate Governance Report

The biographical details of the Directors are set out in the section headed “Directors and Senior Management” on pages 20 to 25 of this annual report.

Ms. Jiang Shuqin is the spouse of Chairman Hou and mother of Mr. Hou. Mr. Hou is the son of Chairman Hou and Ms. Jiang. Save as disclosed, none of the members of the Board is related to one another.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of Chairman is held by Mr. Hou Chunlai (侯春來) and the position of Chief Executive Officer was held by Mr. Hou Junyu (侯俊宇) since the Listing Date until 25 September 2020. Ms. Zhang Jie was appointed as the Chief Executive Officer in place of Mr. Hou Junyu immediately after the conclusion of the annual general meeting of the Company held on 25 September 2020. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company’s business development and the daily management and operations generally. The respective responsibilities are clearly defined and set out in writing.

BOARD MEETINGS

Code provision A.1.1 of the Corporate Governance Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications.

During the Reporting Period, 3 Board meetings were held. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the Corporate Governance Code.

During the Reporting Period, the Company convened 2 general meeting.

A summary of the attendance record of the Directors at Board meetings, committee meetings and general meetings during the Reporting Period and up to the Latest Practicable Date is set out in the following table below:

Name of Director	Number of meeting(s) attended/number of meeting(s) held during the year ended 31 August 2021 and up to the Latest Practicable Date				
	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
Executive Directors					
Mr. Hou Junyu	3/3	-/-	-/-	3/3	2/2
Ms. Jiang Shuqin	3/3	-/-	3/3	-/-	2/2
Ms. Zhang Jie ⁽¹⁾	3/3	-/-	-/-	-/-	2/2
Non-executive Directors					
Mr. Hou Chunlai	3/3	-/-	-/-	-/-	2/2
Mr. Hao Xiaohui ⁽²⁾	2/3	-/-	-/-	-/-	2/2
Independent Non-executive Directors					
Dr. Jin Xiaobin	3/3	2/2	-/-	3/3	2/2
Ms. Fok, Pui Ming Joanna	3/3	2/2	3/3	3/3	2/2
Mr. Lau, Tsz Man	3/3	2/2	3/3	-/-	2/2

Corporate Governance Report

Notes:

- (1) Appointed on 25 September 2020.
- (2) Appointed on 25 September 2020 and resigned on 8 February 2021.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board at all times during the Reporting Period met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Board has received from each of the independent non-executive Directors a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent. Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date (whichever is sooner).

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive and non-executive Directors has entered into a service contract with the Company. The initial term of his/her service contract shall commence from the date of his/her appointment as an executive Director or a non-executive Director (as the case may be) and continue for a period of three years after or until the third annual general meeting of the Company, whichever is earlier, and shall be automatically renewed for successive periods of three years (subject always to re-election as and when required under the Articles of Association), until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing.

In accordance with Article 108(a) of the Articles of Association, at each annual general meeting 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. Accordingly, Ms. Jiang, Dr. Jin Xiaobin and Ms. Fok, Pui Ming Joanna will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

Corporate Governance Report

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is the primary decision making body of the Company and is responsible for overseeing the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board makes decisions objectively in the interests of the Company.

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.

The Group's senior management is responsible for the day-to-day management of the Group's business and is responsible for overseeing the general operation, business development, finance, marketing, and operations.

BOARD COMMITTEES

The Board has established three committees, namely, the audit committee, the remuneration committee and the nomination committee, for overseeing particular aspects of the Company's affairs. Each of these committees are established with defined written terms of reference. The terms of reference of the Board committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Company has established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board.

The audit committee comprises three independent non-executive Directors, namely Mr. Lau, Tsz Man, Dr. Jin Xiaobin and Ms. Fok, Pui Ming Joanna. Mr. Lau, Tsz Man is the chairman of the audit committee and is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

During the Reporting Period, the audit committee met two times to review, among others, (i) the unaudited annual results for the year ended 31 August 2020 and the interim results for the six months ended 28 February 2021, (ii) the audited annual results for the year ended 31 August 2020 and the update on the interim results for the six months ended 28 February 2021, together with the Company's annual report for the year ended 31 August 2020 and the Company's interim report for the six months ended 28 February 2021.

The audit committee has reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function and risk management and internal control systems and processes) for the Reporting Period.

Corporate Governance Report

Remuneration Committee

The Company has established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 of the Listing Rules. The primary duties of the remuneration committee is to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management.

The remuneration committee comprises one executive Director, namely Ms. Jiang Shuqin, and two independent non-executive Directors, namely Ms. Fok, Pui Ming Joanna and Mr. Lau, Tsz Man. Ms. Fok, Pui Ming Joanna is the chairlady of the remuneration committee.

During the Reporting Period, the remuneration committee met 3 times with all members of the committee attended (i) to review the annual director's fee and remuneration package of the new Director upon their appointment during the Reporting Period and recommend to the Board for approval; (ii) to assess the performance and review the remuneration policy and package of the executive Directors and senior management of the Group, and to review the remuneration of the non-executive Directors.

Details of the remuneration payable to each Director of the Company for the year ended 31 August 2021 are set out in Note 13 to the consolidated financial statements.

The remuneration of the members of senior management by band for the year ended 31 August 2021 is set out below:

Remuneration bands (RMB)	Number of persons
1,000,001 to 1,500,000	1

Nomination Committee

The Company has established a nomination committee in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board on the appointment of Directors and management of Board succession.

The nomination committee comprises one executive Director, namely Mr. Hou Junyu, and two independent non-executive Directors, namely Dr. Jin Xiaobin and Ms. Fok, Pui Ming Joanna. Mr. Hou Junyu is the chairman of the nomination committee.

During the Reporting Period and up to the Latest Practicable Date, the nomination committee met 3 times with all members of the committee attended (i) to consider the appointment of the new Director during the Reporting Period and recommend to the Board for approval; (ii) to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the directors standing for re-election at the annual general meeting of the Company held in 2021.

Corporate Governance Report

Nomination Policy

The Company has adopted a nomination policy (the “**Nomination Policy**”) in accordance with the Corporate Governance Code, which sets out the procedure for the selection, appointment and reappointment of Directors containing the selection criteria and the Board succession planning considerations.

The Nomination Policy aims to:

- set out the criteria and process in the nomination and appointment of Directors;
- ensure that the Board maintains a balance of skills, experience and diversity of perspectives appropriate to the Company; and
- ensure the continuity of the Board and appropriate leadership at the Board level.

Nomination Procedures

- (i) 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 with reference to the criteria as set out below to determine whether such candidate is qualified for directorship.
- (ii) If the process yields one or more desirable candidates, the nomination committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- (iii) The nomination committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- (iv) 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 with reference to the criteria as set out below to determine whether such candidate is qualified for directorship.

Where appropriate, the nomination committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

Board Diversity Policy

The Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to enhance the quality of its performance.

The Company recognizes and embraces the benefits of having a diverse Board and views diversity at the Board level as an important element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board’s composition, Board diversity will be considered from a number of aspects, including but not limited to gender, age, educational background, ethnicity, professional (including regional and industry) experience, skills, knowledge and length of service (“**Diversity Perspectives**”).

Corporate Governance Report

The nomination committee will meet annually to discuss and agree measurable objectives for implementing diversity on the Board. The Board may adopt and/or amend from time to time (as applicable) such Diversity Perspectives and/or measurable objectives that are appropriate to the Company's business and Board succession planning, as applicable.

The Nomination Committee has the discretion to nominate any person as it considers appropriate and in assessing the suitability of a proposed candidate, the criteria as set out below will be used as reference.

- Reputation and integrity;
- Experience in the directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas;
- Commitment in performing the duties as a director and a member of the Board committees (if applicable); and
- Board diversity, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge, relationship with other Board members and length of service, and the potential contributions can be brought to the Board.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in code provision D.3.1 of the Corporate Governance Code.

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code and disclosure in its Corporate Governance Report.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company may from time to time and as the circumstances require provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 August 2021.

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

Corporate Governance Report

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

The Directors keep abreast of the responsibilities as a director and of the conduct, business activities and development of the Company.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for the Directors would be arranged and reading material on relevant topics would be provided to the Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 August 2021, the key methods of attaining continuous professional development by each of the Directors are summarized as follows:

Name of Director	Attending courses/ seminars/conferences	Reading books/journals/ articles
Executive Directors		
Mr. Hou Junyu	✓	✓
Ms. Jiang Shuyin	✓	✓
Ms. Zhang Jie ⁽¹⁾	✓	✓
Non-executive Directors		
Mr. Hou Chunlai	✓	✓
Mr. Hao Xiaohui ⁽²⁾	–	–
Independent Non-executive Directors:		
Dr. Jin Xiaobin	✓	✓
Ms. Fok, Pui Ming Joanna	✓	✓
Mr. Lau, Tsz Man	✓	✓

Notes:

(1) Appointed on 25 September 2020.

(2) Appointed on 25 September 2020 and resigned on 8 February 2021.

During the Reporting Period, all of the Directors also participated in a training session conducted by Skadden, Arps, Slate, Meagher & Flom, our legal adviser as to Hong Kong law, on directors' duties, responsibilities and obligations under the Listing Rules and the SFO.

Corporate Governance Report

DIVIDEND POLICY

In accordance with code provision E.1.5 of the CG Code, the Company adopted a dividend policy which aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration and payment of dividends to the Shareholders.

The Board shall have regard to the following factors of the Group when considering the declaration and payment of dividends:

- past financial results;
- past and forecasted cash flows;
- business conditions and strategies;
- future operations and earnings;
- capital requirements and expenditure plans;
- interests of shareholders;
- any restrictions on payment of dividends (including contractual restrictions, i.e. from financing-related agreements); and
- any other factors that the Board may consider relevant.

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The Company appointed Zhonghui Anda as the external auditor for the year ended 31 August 2021. A statement by Zhonghui Anda about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 128 to 132.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Zhonghui Anda during the Reporting Period are set out below:

Services rendered for the Company	Fees paid and payable
	<i>RMB'000</i>
Audit services:	
Audit services	2,157
Non-audit services:	
Interim review services	505
Total	2,662

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges that it is responsible for the Company's risk management and internal control systems and reviewing their effectiveness. The risk management and internal control measures 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.

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the audit committee, who oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management has provided a confirmation to the audit committee (and the Board) on the effectiveness of these systems for the year ended 31 August 2021. The Board had conducted a review of the effectiveness of the internal control system of the Company in respect of the year ended 31 August 2021 and considered the system effective and adequate. The Board will conduct a review of the effectiveness of the risk management and internal control system of the Company on an annual basis.

The Group has established an internal control department and maintain an internal audit function for the year ended 31 August 2021. Each of its schools has designated the relevant personnel who will be responsible for identifying and monitoring the Group's risks and internal control issues and reports directly to the Board of any findings and follow-up actions. Each of the Group's schools is required to adhere strictly to the Group's internal control procedures and report to the internal control team of any risks or internal control measures.

The Company has also established an investment committee as part of its internal control measure to exercise authority delegated from the Board to handle any issues or affairs related to the investment aspects of the Company. The investment committee provides additional oversight over, and professional support to, the investment matters of the Group, and then reports back to the full Board on a regular basis. The investment committee also reviews the investment performance from time to time and advises the Board on how the Company's funds (including surplus funds, funds not designated for specific purpose, or funds designated for specific purpose but application of which is not immediately required) are to be used to enhance the Company's investment returns, preserve the value of the Company's funds and/or achieve capital appreciation. The investment committee currently comprises Mr. Hou Junyu (an executive Director), Mr. Lau Tsz Man (an independent non-executive Director and chairman of the audit committee of the Company) and Dr. Jin Xiaobin (an independent non-executive Director). As of the Latest Practicable Date, the investment committee was also identifying suitable candidates with extensive experience in investment and finance to support the intended functions of the investment committee.

The Group has adopted an information disclosure policy which has set out comprehensive guidelines in respect of handling and dissemination of inside information. The Board is responsible for monitoring and implementing the procedural requirements in the information disclosure policy. Release of inside information shall be overseen by the Board. Unless authorised by the Board, the staff members of the Group shall not disseminate inside information relating to the Group to any external parties and shall not respond to media or market speculation which may materially affect the trading price or volume of the Shares on the market.

Corporate Governance Report

COMPANY SECRETARY

Mr. Wong Yu Kit (“**Mr. Wong**”), of SWCS Corporate Services Group (Hong Kong) Limited, has been engaged by the Company as its company secretary, and is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

Mr. Hou, an executive Director, is the primary point of contact of the Company for Mr. Wong.

For the year ended 31 August 2021, Mr. Wong has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS’ RIGHTS

Convening of Extraordinary General Meetings (“EGM”) by Shareholders

Pursuant to article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. EGMs shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Enquiries to the Board and Contact Details

Shareholders may send written enquiries to the Company for the attention of the Board at the Company’s head office and principal place of business in China.

Contact Details

Address : No. 66, Beihai East Road
Shangqiu City
Henan Province
PRC

Email : IR@chunlaiedu.com

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Company has not made any changes to its Articles of Association during the Reporting Period and up to the Latest Practicable Date. An up to date version of the Company's Articles of Association is also available on the Company's website (www.chunlaiedu.com) and the Stock Exchange's website (www.hkexnews.hk).

Environmental, Social and Governance Report

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Environmental, Social and Governance Report

1. ABOUT THIS REPORT

China Chunlai Education Group Co., Ltd. (hereinafter referred to as “Chunlai Education”) and its subsidiaries (hereinafter referred to as “Group”, “our Group”, “the Group”, “we”, “us” or “our”) are pleased to present our fourth Environmental, Social and Governance Report (hereinafter referred to as “ESG Report” or “this Report”), which summarises our initiatives, strategies and objectives relating to environmental, social and governance (or “ESG”) issues, and describes our vision and commitment to the fulfilment of sustainable development philosophy, as well as our corporate social responsibilities.

Reporting Standard

This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”) set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The contents covered herein are in compliance with the “comply or explain” provision required in the Guide and the requirements of the four reporting principles (materiality, quantitative, balance and consistency). An index of the Guide prepared in accordance with the contents of this Report is inserted in the last chapter of this Report for readers’ easy reference. You should read this Report together with the section headed “Corporate Governance Report” in this annual report to have a comprehensive understanding of the Group’s ESG performance.

Materiality	This Report has identified and disclosed the process of significant environmental, social and governance factors and the criteria for their selection, as well as the description of significant stakeholders and the process and results of stakeholder engagement.
Quantification	The statistical criteria, methods, assumptions and/or calculation tools used in this Report for reporting emissions/energy consumption (where applicable), and the sources of conversion factors are defined in this Report.
Balance	This Report presents the Group’s performance for the Reporting Period (as defined below) in an unbiased manner, avoiding selections, omissions or formats of presentation that might improperly influence reader’s decisions or judgments.
Consistency	The statistical methods used to disclose data in this Report are consistent. If there is any change, it will be clearly stated in the Report.

Reporting Scope

This Report describes the sustainable development related to core businesses and the overall performance of performing corporate social responsibility from 1 September 2020 to 31 August 2021 (hereinafter referred to as the “Year” or “Reporting Period”). Unless otherwise specified, this Report covers the businesses directly controlled by Chunlai Education, and the data collection of the Key Performance Indicators (“KPIs”) under the Environmental Subject Area covering Shangqiu University, Anyang University, Shangqiu University Kaifeng Campus, Jingzhou University and Hubei Jiankang Vocational College¹.

¹ During the Reporting Period, two schools, Hubei Jiankang Vocational College and Jingzhou University, were added to the scope of collection of environmental KPIs. Since Anyang University Yuanyang Campus will only enrol students for the first time and officially start its education work in October 2021, Anyang University Yuanyang Campus was not included in the scope of collection of environmental KPIs in the Year.

Environmental, Social and Governance Report

Language of this Report

This Report is available in Traditional Chinese and English versions. Should there be any inconsistency, the Traditional Chinese version shall prevail.

Approval of this Report

This Report was approved by the Board of Directors (the “Board”) on 30 November 2021 after being confirmed by the management.

Feedback on this Report

We highly value your feedback on this Report. Should you have any questions or suggestions, please do not hesitate to contact us through the following channels:

Address: No. 66, Beihai East Road, Shangqiu City, Henan Province

E-mail: cljyt@chunlaiedu.com

Tel: (86)0370-3555128

2. ABOUT CHUNLAI EDUCATION

As a distinguished organisation of private general higher education, Chunlai Education cultivates excellent talents with both practical and useful skills and virtues for the country, society, and industry by insisting on the educational objectives of “continuously improving the quality of talent cultivation and the ability to serve society through character building and talent fostering, persisting with scientific development, reform and innovation, and education in full legal compliance to embark on its way to organic, innovative and distinctive development”. We are committed to nurturing the professional skills of our students by planning undergraduate, professional and vocational education programs that focus on developing practical skills to meet the needs of China’s economic development. With years of operating experience in China, we are in tune with the needs of China’s economic and social development, and the schools under the Group are the potential for the state and society to tap into the socialist construction talents.

Our Group has been established for nearly 17 years. The schools under the Group include Shangqiu University, Anyang University, Shangqiu University Kaifeng Campus, Jingzhou University, Hubei Jiankang Vocational College and Tianping College of Suzhou University of Science and Technology (a cooperating school). We fully implement the education policy of the Communist Party of China (CPC), adhere to the direction of socialist schooling, and always adhere to the original intention of running education and cultivating talents.

Environmental, Social and Governance Report

2.1 An Overview of our Colleges

Shangqiu University

Shangqiu University adheres to the education philosophy of “putting people first, putting moral education first, putting emphasis on ability, quality being the root”. The school focuses on engineering courses and currently offers 15 teaching units. Shangqiu University has 47 bachelor’s degree programmes, 31 junior college diploma programmes, forming a professional pattern of the coordinated development of multiple disciplines such as engineering, agriculture, management, art, culture, education, science and economics. The school attaches great importance to the construction of disciplines and majors. In recent years, Shangqiu University has been awarded a number of provincial-level undergraduate teaching quality projects, including 1 Henan provincial key discipline, 2 Henan provincial first-class undergraduate majors, 2 Henan provincial specialty majors, 3 Henan provincial comprehensive reform pilot majors, 11 Henan provincial brand majors, 2 funding projects for the construction of disciplines and majors in private institutions of higher education in Henan Province, 7 Henan provincial first-class undergraduate programmes, 5 Henan provincial premium online open programmes, 1 Henan provincial ideological and political model course, 3 Henan provincial experimental teaching demonstration centers, 2 Henan provincial virtual simulation experimental teaching projects, 5 Henan provincial excellent grassroots teaching organisations and 11 Henan provincial qualified grassroots teaching organisations.

Anyang University

Anyang University has always adhered to the education philosophy of “character building and talent fostering, bridging knowledge and practice, cultivating specialized talents and developing the school with well-cultured students”, taken the overall improvement of talent training ability as the core, and taken the school-enterprise cooperation as the platform to actively adapt to economic transformation and social development. It insists on the teaching work as the center, takes the quality project construction as the main line, carries out the education and teaching reform in depth, develops the talent cultivation mode of “government, institute, school and enterprise”, and has signed school-enterprise cooperation agreements with many enterprises, so as to establish the mutually beneficial cooperation mechanism.

Anyang University offers 42 bachelor’s degree programmes, 37 junior college diploma programmes, 3 double bachelor’s degree programmes, 17 adult higher education programmes, 23 combined vocational education and junior college diploma programmes and 14 technical secondary school programmes, covering eight disciplines including literature, science, engineering, law, economics, management, education and art.

Environmental, Social and Governance Report

Shangqiu University Kaifeng Campus

Shangqiu University Kaifeng Campus was founded in 2010 and officially enrolled students in the fall of 2013 as a subordinate college of Shangqiu University. Shangqiu University Kaifeng Campus adheres to the education strategy of “establishing the school with quality, developing the school with talents, and prospering the school with unique characteristics”. The school is oriented to serve the regional economic and social development and industrial restructuring, develop quality undergraduate education, highlight the advantages and characteristics by focusing on engineering and management with coordinated development of multiple disciplines such as engineering, management, culture, art and education, and cultivate excellent and high-quality applied talents. It currently offers 26 bachelor’s degree programmes and 20 junior college diploma programmes.

Jingzhou University

Jingzhou University, formerly known as College of Engineering and Technology of Yangtze University (長江大學工程技術學院), is an applied undergraduate institution focusing on full-time general undergraduate education approved by the Ministry of Education of the People’s Republic of China, and was approved for conversion by the Ministry of Education in September 2021 and changed its name to Jingzhou University. Jingzhou University is oriented to serve the regional economic and social development and industrial restructuring. The school currently has teaching and research institutions such as School of Resource Exploration and Engineering, School of Petroleum and Chemical Engineering (School of Health), School of Mechanical Engineering, School of Urban Construction, School of Management, School of Foreign Languages, School of Mathematics and Science, School of Marxism, Department of Physical Education, Institute of New Technology on Petroleum, Information Technology Research Institute and Applied Chemistry Institute. It offers 31 bachelor’s degree programmes and 18 junior college diploma programmes. Among them, the major of “Exploration Technology and Engineering” is the key construction major and key cultivation major in Hubei Province, the major of “Mechanical Design and Manufacturing and Automation” is the pilot project of “Comprehensive Reform of Majors” of undergraduate colleges and universities in Hubei Province and the undergraduate project of strategic emerging (pillar) industry talent development program of higher education institutions in Hubei Province, and the major of “Chemical Engineering and Technology” is the undergraduate project of strategic emerging (pillar) industry talent development program of higher education institutions in Hubei Province. There are 2 provincial-level high-quality courses and 18 college-level quality courses.

Hubei Jiankang Vocational College

Hubei Jiankang Vocational College is a full-time general college approved by the People’s Government of Hubei Province and filed with the Ministry of Education, and is also the first health higher vocational college in Hubei Province, officially established in 2020 and enrolled students in the 2020/2021 academic year. By closely following the state’s “Healthy China 2030” and “Aging Service and Industry” strategic development needs, with the orientation of “based on health, do better nursing”, Hubei Jiankang Vocational College is committed to developing high-quality talents for the big health industry. Guided by the needs of economic and social development, with the motto of “diligent learning, self-improvement”, the school currently offers 18 majors, and actively signs cooperation agreements with a number of hospitals and institutions in Xianning city for off-campus internship and training bases to realize the integration of enrollment and employment with order-based training.

Environmental, Social and Governance Report

2.2 Awards and Recognitions

With extensive experience in operating higher education institutions, we are committed to enhancing the quality of teaching and learning in our colleges and maintaining the good reputation of the Group. Over the years, the Chunlai Education brand has gained recognition and trust from different education departments and parents of students. The major awards and recognitions received by the Group, our colleges and students during the Year are set out below:

Chunlai Education

Awards and Recognitions

Hosting/Awarding Organisation

2020 Zhongyuan Education Industry Leadership Group (2020 年度中原教育行業領袖集團)	yujiaowang.com (豫教網)
2020 Zhongyuan Integrated Strength Education Group (2020 年度中原綜合實力教育集團)	dgbzy.com (大公中原網), jczynet.com (精彩中原網), soho.com

Shangqiu University

Awards and Recognitions

Hosting/Awarding Organisation

First Prize of Street Dance in China Cheerleading Elite Competition (中國啦啦操精英賽街舞第一名)	General Administration of Sport of China (國家體育總局)
Third Prize in Flower Ball Defined Actions of China Junior Cheerleading Elite Competition (中國少兒啦啦操精英賽花球規定第三名)	General Administration of Sport of China (國家體育總局)
First Prize in 2021 Henan Cheerleading Competition (2021年河南省啦啦操大賽第一名)	Education Department of Henan Province (河南省教育廳)
Third Prize in the Women's B Shot Put Group in the 21st Athletic Games of University Students in Henan in 2021 (2021年河南省大學生第二十一屆田徑運動會 女子乙組鉛球第三名)	Education Department of Henan Province (河南省教育廳)
Third Prize in the Women's B Discus Throw Group in the 21st Athletic Games of University Students in Henan in 2021 (2021年河南省大學生第二十一屆田徑運動會 女子乙組鐵餅第三名)	Education Department of Henan Province (河南省教育廳)
Third Prize in the Men's Long Jump Group in the 21st Athletic Games of University Students in Henan in 2021 (2021年河南省大學生第二十一屆田徑運動會 跳遠男子第三名)	Education Department of Henan Province (河南省教育廳)
Fourth prize in the 400 Meters of men's B Group in the 21st Athletic Games of University Students in Henan in 2021 (2021年河南省大學生第二十一屆田徑運動會 男子乙組 400 米第四名)	Education Department of Henan Province (河南省教育廳)

Environmental, Social and Governance Report

Shangqiu University

Awards and Recognitions

Hosting/Awarding Organisation

Sunshine Line Dance Competition in Henan Province in 2021 (2021年河南省陽光排舞比賽)	Education Department of Henan Province (河南省教育廳)
Choral Activity under the Theme of "Flying Youth and Red Heart to the Party" for University and High Schools in Shangqiu to Celebrate the 100th Anniversary of the Founding of the Party (“青春飛揚紅心向黨”慶祝建黨100周年商丘大中專學校合唱活動)	CPC Central Committee at Shangqiu Municipal Committee Organisation Department (中共商丘市委組織部) Publicity Department of CPC Central Committee at Shangqiu Municipal Committee (中共商丘市委宣傳部) Education Work Committee of CPC Central Committee at Shangqiu Municipal Committee (中共商丘市委教育工作委員會)
Advanced Research Institution of Private Education in Henan (河南民辦教育先進科研單位)	Henan Province Private Education Association (河南民辦教育協會)
Outstanding Institution for Recruiting Work in 2020 (2020年度徵兵工作突出單位)	Henan Province Conscription Leadership Team (河南省徵兵領導小組)
"Excellent Organisation Institution" of the 10th "Huawen" National Normal University Students' Education Ability Online Test and Exhibition for Mathematics (第十屆“華文”全國師範生數學學科教育能力在線測試與展示交流活動“優秀組織單位”)	China Education Technology Association (中國教育技術協會)
Advanced Collectives of Anti-cult Association (反邪教協會先進集體)	Henan Provincial Political and Legal Propaganda Education Center (河南省政法宣傳教育中心) Henan Anti-Cult Association (河南省反邪教協會)
Excellent Organisation Award of Reading Contest for University Students in Henan under the Theme of "Youth to the Party and Reciting for the New Era" (河南省高校大學生“青春心向黨•誦贊新時代”主題朗讀大賽優秀組織獎)	Library and Information Committee of Henan Universities and Colleges (河南省高等學校圖書情報工作委員會)
Second Prize of Undergraduate Group of the National Foreign Trade Competency Competition (全國外貿從業能力大賽本科組團體二等獎)	China International Trade Association (中國國際貿易學會), National Teaching Steering Committee of Vocational Education in Foreign Trade and Economics (全國外經貿職業教育教學指導委員會)

Environmental, Social and Governance Report

Shangqiu University

Awards and Recognitions

Hosting/Awarding Organisation

Third Prize of Undergraduate Group of the National Foreign Trade Competency Competition (全國外貿從業能力大賽本科組團體三等獎)	China International Trade Association (中國國際貿易學會), National Teaching Steering Committee of Vocational Education in Foreign Trade and Economics (全國外經貿職業教育教學指導委員會)
First Prize in the Financial Data Competition of the 1st Henan YouBIP Business Innovation Competition (第一屆河南省 YouBIP 商業創新大賽財務大資料賽項一等獎)	China Higher Education Association Higher Financial Education Branch (中國高等教育協會高等財經教育分會)
Second Prize of the 17th National University Students' Digital-intelligent Enterprise Management Sandbox Competition in Henan Province (第十七屆全國大學生數智化企業經營沙盤大賽河南省賽二等獎)	China Higher Education Association Higher Financial Education Branch (中國高等教育協會高等財經教育分會)
Outstanding Organiser in the 2nd Computer Proficiency Challenge for Universities and Colleges of China in 2020 (2020年第二屆全國高校計算機能力挑戰賽中優秀組織單位)	Association for Computer Education of Universities and Colleges in China (全國高等學校計算機教育研究會)
Outstanding Organiser in the 2nd Computer Proficiency Challenge for Universities and Colleges in China in 2020 (2020年第二屆全國高校計算機能力挑戰賽優秀組織單位)	Association for Computer Education of Universities and Colleges in China (全國高等學校計算機教育研究會) Organizing Committee of the Computer Proficiency Challenge for Universities and Colleges in China (全國高校計算機能力挑戰賽組委會)
2020 Outstanding Undergraduate Institutions in the Zhongyuan Education Sector (2020年度中原教育行業優秀本科院校)	yujiaowang.com (豫教網)
2020 Zhongyuan Integrated Strength Private Higher Education (2020年度中原綜合實力民辦高校)	Zynews.cn (中原網), soho.com

Environmental, Social and Governance Report

Anyang University

Awards and Recognitions

Hosting/Awarding Organisation

Second Prize 100 Red Classic Film Editing Competition for 100 Classroom Films (100 部電影進課堂百部紅色經典電影剪輯比賽二等獎)	Propaganda Department of the CPC Central Committee at Henan Provincial Committee (中共河南省委宣傳部), Universities Working Committee of the CPC Central Committee at Henan Provincial Committee (中共河南省委高校工委), Education Department of Henan Province (河南省教育廳)
Third Prize in the Undergraduate Group of the Centennial Party History Knowledge Contest (百年黨史知識競賽本科組三等獎)	Universities Working Committee of the CPC Central Committee at Henan Provincial Committee (中共河南省委高校工委), Education Department of Henan Province (河南省教育廳)
Third Prize in the Solo, Pair and Triple Dance Group for Universities in the 9th Professional Dance Competition "China Award" in Henan Province and the 5th "Luoshen Cup" Dance Exhibition (河南省第九屆專業舞蹈大賽"中華獎"暨第五屆"洛神杯"舞蹈展演活動中榮獲高校獨雙三舞組三等獎)	Henan Provincial Department of Culture and Tourism (河南省文化和旅遊廳), Henan Provincial Federation of Literary and Art Circles (河南省文學藝術界聯合會), Education Department of Henan Province (河南省教育廳)
Advanced Research Institute of Private Education in Henan (河南民辦教育先進科研單位)	Henan Provincial Private Education Association (河南省民辦教育協會)
Municipal Water-saving University (市級節水型高校)	Anyang Water-saving Society Construction Leading Team (安陽市節水型社會建設領導小組)
May Day Labour Award (五一勞動獎狀)	Anyang Municipal Federation of Trade Unions (安陽市總工會)
2020 Outstanding Undergraduate Institutions in the Zhongyuan Education Sector (2020年度中原教育行業優秀本科院校)	yujiaowang.com (豫教網)
2020 Zhongyuan Integrated Strength Private Higher Education (2020年度中原綜合實力民辦高校)	dgbzy.com (大公中原網), jczynet.com (精彩中原網), soho.com

Environmental, Social and Governance Report

Shangqiu University Kaifeng Campus Awards and Recognitions

Hosting/Awarding Organisation

Second prize in the Creative Group of Undergraduates in the Higher Education Group Competition for "Internet" University Students' Innovation and Entrepreneurship Competition and the 7th Qualification Trials of "Internet" University Students' Innovation and Entrepreneurship Competition in Henan (互聯網"大學生創新創業的大賽暨第七屆"互聯網"大學生創新創業大賽河南賽區選拔賽獲高教主賽道本科生創意組二等獎)	Education Department of Henan Province (河南省教育廳)
Second Prize of Fitness Qigong Collective Baduan Jin Exercise in the General College Group of Fitness Qigong Championship for Colleges in Henan (河南省高等院校健身氣功錦標賽普通院校組健身氣功集體八段錦二等獎)	Henan Provincial Sports Bureau (河南省體育局)
Third Prize of Fitness Qigong Collective Dance in the General College Group of in the General College Group of Fitness Qigong Championship for Colleges in Henan (河南省高等院校健身氣功錦標賽普通院校組健身氣功集體大舞三等獎)	Henan Provincial Sports Bureau (河南省體育局)
Honorary Title of Advanced Class Collective in Henan in 2020 (2020年度河南省先進班集體榮譽稱號)	Henan Provincial Youth League Committee (共青團河南省委), Education Department of Henan Province (河南省教育廳)
Outstanding Organisation Award of Colleges in Henan in 2021 "Reading the Red Classics and Being the Heirs of Faith" Reading Promotion Series Activities (河南省高校 2021年"讀紅色經典做信仰傳人"閱讀推廣系列活動優秀組織獎)	Library and Information Committee of Henan Universities and Colleges (河南省高等學校圖書情報工作委員會)
Best Organisation Award in the 2nd University Students' Recitation Contest in Henan under the Theme of "Youth to the Party•Reciting to the New Era" (第二屆河南省高校大學生"青春心向黨•誦贊新時代"主題朗讀大賽中,獲最佳組織獎)	Library and Information Committee of Henan Universities and Colleges (河南省高等學校圖書情報工作委員會)
Advanced Research Institution of Private Education in Henan (河南民辦教育先進科研單位)	Henan Province Private Education Association (河南省民辦教育協會)
2020 Advanced Institution of Social Science Work in Kaifeng (2020年度全市社會科學工作先進單位)	Kaifeng Social Science Association (開封市社會科學界聯合會)

Environmental, Social and Governance Report

Jingzhou University

Awards and Recognitions

Hosting/Awarding Organisation

Excellent Organisation Award of the 1st National Security Knowledge Contest for University Students in Hubei (首屆湖北高校大學生國家安全知識競賽優秀組織獎)

Education Department of Hubei Province (湖北省教育廳)

Outstanding Organisation Award of the 13th "Challenge Cup – Bank of China" Extracurricular Academic and Scientific Works Competition for University Students in Hubei (湖北省第十三屆“挑戰杯•中國銀行”大學生課外學術科技作品競賽優秀組織獎)

Hubei Provincial Youth League Committee (共青團湖北省委員會)

Hubei Science and Technology Association (湖北省科學技術協會)

Education Department of Hubei Province (湖北省教育廳)

Hubei Academic Federation (湖北省學術聯合會)

Hubei Jiankang Vocational College

Awards and Recognitions

Hosting/Awarding Organisation

Third Prize of the 13th Extracurricular Academic and Scientific Competition for University Students in Hubei in 2021 (2021年湖北省第十三屆“大學生課外學術科技競賽”三等獎)

Education Department of Hubei Province (湖北省教育廳),
China Youth League Committee (中國共產主義青年團),
Hubei Science and Technology Association (湖北省科學技術協會),
Hubei Students' Union (湖北省學生聯合會)

"Outstanding Co-organiser" Award in the 5th "Environmental Knowledge Contest for University Students of China" in 2021 (2021年第五屆“全國大學生環保知識競賽”評為“優秀協辦單位”)

China Green Development Council (中國綠發會),
Sichuan Civilisation Promotion Association (四川省文明促進會),
Environmental Protection Knowledge Contest Organizing Committee of University Students of China (全國大學生環保知識競賽組委會)

Environmental, Social and Governance Report

3. SUSTAINABLE DEVELOPMENT MANAGEMENT

3.1 Statement of the Board of Directors

The Group has established a sustainability governance framework to enhance our management of sustainability. The Board is responsible for the overall oversight of the Group's sustainability efforts and regularly discusses, reviews and examines the Group's ESG management approach, strategy, risks, performance and progress. For the purpose of effective sustainability governance, the Board has allowed the Group to establish an ESG Committee and authorised it to oversee and promote the implementation of various ESG issues. Under the authority of the Board, the ESG Committee will take into account the views collected during the communication with various stakeholders and the results of the materiality assessment to determine the Group's sustainability focus and priorities when formulating ESG management approach and strategy, which will be approved and confirmed by the Board. In the future, we will conduct progress reviews in accordance with the Group's ESG-related objectives to monitor and improve our sustainability efforts.

3.2 Sustainable Development Governance

Adhering to the concept of "contributing to the society and making it a better place", Chunlai Education has formulated a sustainable development strategy and fully integrated sustainable development into the Group's overall development strategy, and actively fulfilled its corporate social responsibility.

The Group has established the ESG governance structure, covering all levels (including the decision-making level, the organisational level and the executive level) of the Group, including the Board, the ESG Committee and the Performance Department. We have established an ESG Committee, which is led by our Chief Executive Officer and consists of the Office of the Board and leaders from across the Group, to collect information on ESG performance and prepare relevant reports. The ESG Committee is responsible for reviewing and monitoring the Group's ESG policies and practices in relation to ESG issues that are relevant to the Group's operations and overall strategy. The Board is responsible for resolving and overseeing the management approach, strategy, objectives and overall work in relation to the Group's ESG matters, and the ESG Committee is responsible for developing ESG-related work so that the ESG strategy, objectives and work can be implemented in the daily operation and business of the Group.

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The primary duties of the Board are as follows:

- to delegate authority to the ESG Committee
- to resolve and approve the Group's ESG management approach, strategy and annual work, including the assessment, priorities and management of significant ESG issues
- to regularly review and monitor ESG performance and progress towards goals

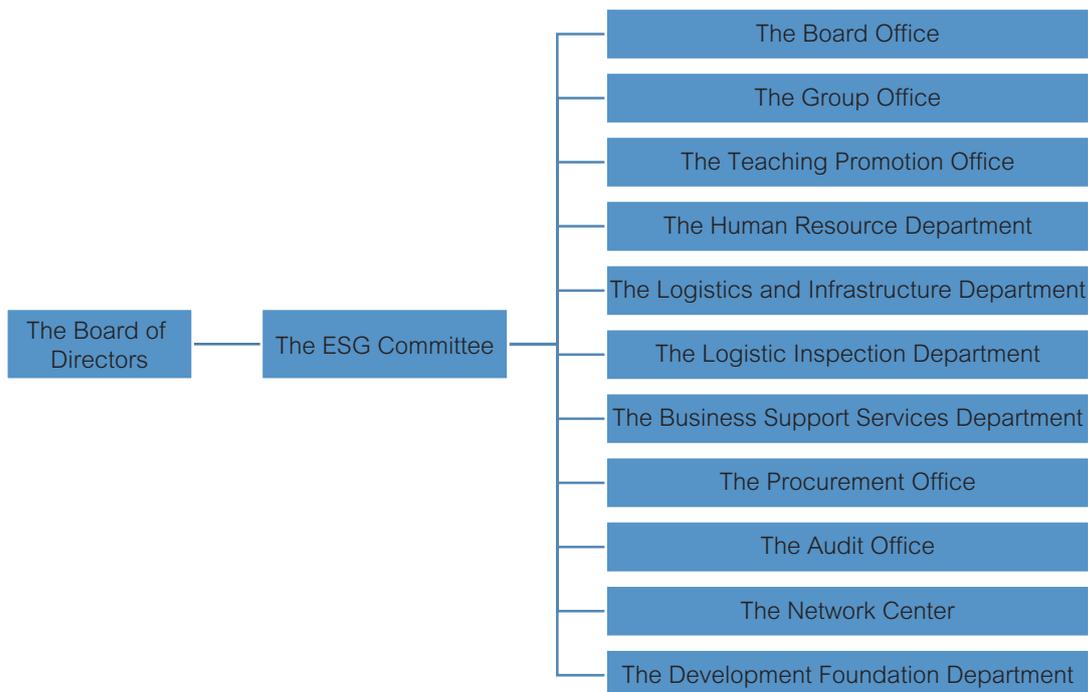
The primary duties of the ESG Committee are as follows:

- to report regularly to the Board
- to identify, assess, review and manage significant ESG issues, risks and opportunities
- to formulate ESG management approach, strategy, annual work and objectives for approval by the Board, and promote the implementation of such work

The primary duties of the performance department are as follows:

- to organise and execute ESG-related works in accordance with the Group's ESG management approach, strategy and annual work
- to collect and report internal ESG policies, systems and ESG-related performance indicators
- to comply with all ESG-related policies and systems

ESG Governance Structure



Environmental, Social and Governance Report

3.3 Participation by Stakeholders

It is an important part of our daily operation that Chunlai Education pays attention to listening to and responding to the opinions of each stakeholder, and communicating with various stakeholders and promoting their participation in sustainable development governance. As we have continuously promoted our ESG efforts, we established a mechanism to communicate with various stakeholders. During the Reporting Period, we communicated and exchanged views with internal and external stakeholders through multiple channels to enhance stakeholders' understanding of the strategies and initiatives we promoted, actively listened to stakeholders' voices and understood their concerns, collected and collated feedback from all parties in a timely manner, and took responsive measures in the hope of growing together with the stakeholders.

Key Stakeholders and Communication and Response Channels

Stakeholders	Main concerns	Major communication and response channels
Investors/shareholders	<ul style="list-style-type: none"> • Information transparency • Business growth • Investment return • Steady operation • Information transparency • Corporate governance 	<ul style="list-style-type: none"> • Result announcements • Senior management meetings • Meetings of investors • Annual general meeting and other general meetings • Interim report and annual report • Corporate communications, such as letters/circulars to shareholders and meeting notices • Shareholder visits
Teachers/other employees	<ul style="list-style-type: none"> • Sense of belonging of employees • Salary and benefits of employees • Health and safety of employees • Career planning • Channels for employees to express their opinions • Education service quality 	<ul style="list-style-type: none"> • Employee opinion surveys • Channels for employees to express their opinions (forms, suggestion boxes, etc.) • Work performance assessments • Meetings and interviews • Training courses • Business briefing • Volunteer activities • Panels • Publications (such as employees communications) • Employee communication meetings • Employee intranet

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Stakeholders	Main concerns	Major communication and response channels
Students/parents	<ul style="list-style-type: none"> • Education service quality • Education resources • Qualification of teachers • Healthy and safe learning environment 	<ul style="list-style-type: none"> • Feedback in the class • Satisfaction survey • Regular visits • Education expos • Parents' meetings • Online platforms • Phone, e-mail, QQ group, WeChat group
Old students	<ul style="list-style-type: none"> • The development of the school • The platform that the school can provide 	<ul style="list-style-type: none"> • Media information • School website • Gathering of old students
Government and regulatory authorities	<ul style="list-style-type: none"> • Compliant and sound operation • Education service quality 	<ul style="list-style-type: none"> • Consultation • Seminars • Rating of the schools • Visiting the schools • Offline and online meetings • Compliance report
Suppliers	<ul style="list-style-type: none"> • Fair and unbiased procurement • Business growth • Investment return 	<ul style="list-style-type: none"> • Supplier management procedures • Supplier/contractor evaluation system • Offline and online bidding meetings • On-site visits
Business partners	<ul style="list-style-type: none"> • Corporate governance • Investment return 	<ul style="list-style-type: none"> • Strategic partnership projects • Education expos
Community/ Non-governmental organisations	<ul style="list-style-type: none"> • Promotion of community development • Participation in social benefit activities 	<ul style="list-style-type: none"> • Offline and online meetings • Donations • Volunteer activities
Public	<ul style="list-style-type: none"> • Information transparency • Education service quality • Sound operation 	<ul style="list-style-type: none"> • Media information • School website • Activities organised by the school
Media	<ul style="list-style-type: none"> • Enterprise performance • Corporate image 	<ul style="list-style-type: none"> • Press release • Result announcements

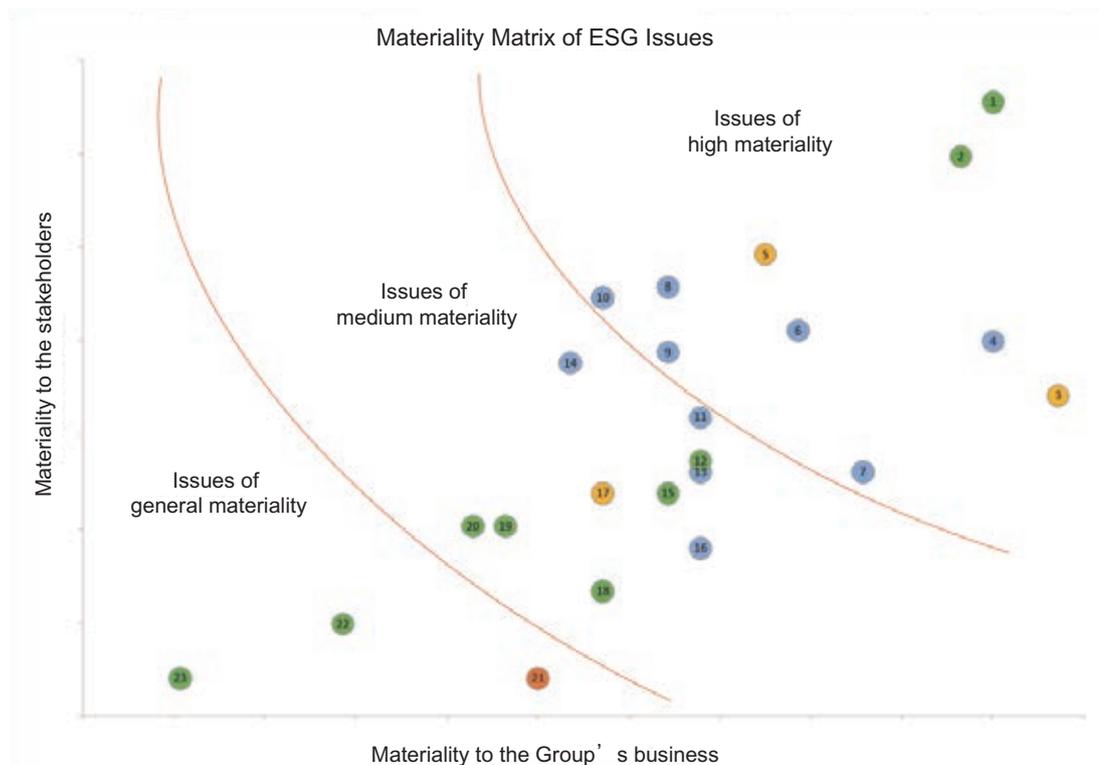
Environmental, Social and Governance Report

3.4 Materiality Assessment

During the Reporting Period, the Group carried out the identification of important ESG issues in order to respond to the requirements and expectations of stakeholders more comprehensively. We considered the Group's business development objectives, actual operating strategies and circumstances, and understood the expectations and requirements of stakeholders on ESG through daily communication with them. We focused on the disclosure responsibilities covered by the Guide issued by the Stock Exchange, the important issues database of the Education Industry of the U.S. Sustainability Accounting Standards Board (SASB), and the ESG issues concerned by peer companies, and finally summarised a series of material issues applicable to the Group's business, and then submitted to the Board for its final approval on the Group's ESG material issues.

We commissioned an independent consultant to assess the importance of ESG issues, conducted an online questionnaire to stakeholders and held internal discussions with the management to gather stakeholders' views on sustainability issues towards Chunlai Education and themselves.

The survey ranked 23 ESG issues by order of importance, resulting in 10 issues of high materiality, 10 issues of medium materiality, and 3 issues of general materiality. The results of the materiality assessment are presented in the materiality matrix below.



Environmental, Social and Governance Report

Based on the results of the importance matrix, Chunlai Education has identified the direction of important ESG issues, including “Quality Education Philosophy”, “Ensuring Compliance Operation”, “Focusing on Employment Development”, “Advocating Green Campus” and “Commitment to Social Welfare”. This Report will focus on these five areas to reflect the focus and contribution of our ESG efforts.

Issues of high materiality	Corresponding chapter
1. Compliance operations	Ensuring Compliance Operation
2. Health and safety of students	Quality Educational Philosophy
3. Teaching quality control	Quality Educational Philosophy
4. Student employment rate	Quality Educational Philosophy
5. Qualifications and professional ethics of teachers	Quality Educational Philosophy
6. Employment rights and benefits protection	Focusing on Employment Development
7. Responsible procurement	Ensuring Compliance Operation
8. Information and privacy protection	Ensuring Compliance Operation
9. Employment system with equal opportunities	Focusing on Employment Development
10. Anti-corruption	Ensuring Compliance Operation
Issues of medium materiality	Corresponding chapter
11. Intellectual property protection	Ensuring Compliance Operation
12. Pollution reduction and emissions reduction	Advocating Green Campus
13. Employees’ training and development	Focusing on Employment Development
14. Occupational health and safety	Quality Educational Philosophy
15. Waste management	Advocating Green Campus
16. Market competitiveness	Quality Educational Philosophy
17. Handling opinions on teaching	Quality Educational Philosophy
18. Usage of materials/resources	Advocating Green Campus
19. Energy consumption and efficiency	Advocating Green Campus
20. Water consumption and efficiency	Advocating Green Campus
Issues of general materiality	Corresponding chapter
21. Community investment and participation	Commitment to Social Welfare
22. Responding to climate change	Advocating Green Campus
23. Greenhouse gas emissions	Advocating Green Campus

Environmental, Social and Governance Report

4. QUALITY EDUCATIONAL PHILOSOPHY

Chunlai Education embodies six aspects of “education in full legal compliance, integrity-oriented, respect for talent, caring for students, serving the community and pursuing excellence” to provide students with a quality education focused on cultivating applied talents. Our curriculum focuses on developing students’ practical skills that meet the needs of China’s economic development, with a view to giving our graduates an upper hand in the job market. We believe that good ethics and styles of teachers and rigorous style of study are the foundation of teaching. Therefore, we attach great importance to good ethics and styles of teachers, the quality of teaching and the management of teachers, and we care about the physical and mental health of our employees and students, and strive to build a healthy and safe campus.

4.1 Healthy and Safe Campus

In order to implement the school’s spirit of building a safe and civilized campus, further optimise the nurturing environment, build an excellent style of school and study, and to strengthen the popularisation of safety knowledge, we strictly comply with relevant health and safety laws and regulations, such as the Occupational Disease Prevention Law of the People’s Republic of China 《中華人民共和國職業病防治法》, the Regulation on Sanitary Work of Schools 《學校衛生工作條例》, Fire Protection Law of the People’s Republic of China 《中華人民共和國消防法》, Food Safety Law of the People’s Republic of China 《中華人民共和國食品安全法》. We will continue to improve our health and safety management system, strengthen our fire safety, health education, food safety, emergency safety, disease and epidemic prevention and control, and construct a healthy and safe campus for our teachers and students.

During the Reporting Period, the Group did not receive any complaints or lawsuits regarding violations of health and safety-related laws. Neither were there any cases of death due to work in the past three years.

Campus Fire Safety

In order to strengthen fire safety on campus, we have formulated the School Safety Management System 《學校安全管理制度》 to regulate the safety for campus facilities, electricity, water, heating power and gas use to ensure the safety of teachers and students’ personal property and to establish a safe and harmonious campus. At the same time, the dormitory is an important place for students to live and study, and an important venue for ideological and political education and quality education outside of the classroom. We focus on fire safety in the dormitories and have set up the Safety Management Regulations for Students’ Dormitory, which strictly prohibits the storage and use of flammable and explosive hazardous materials in the dormitories. Meanwhile, we require our dormitory supervisors to make fire safety a major part of their work and insist on regular inspections of all houses in the dormitories. If there is any hidden danger, we shall correct and solve it timely.

Environmental, Social and Governance Report

Case: Promoting Fire Safety Awareness

Anyang University and Shangqiu University held the “Safety and Civilisation Month” activity to promote safety and self-protection awareness among students through competitions, publicity, hand-drawing and exhibitions, creating a good safety environment on campus. The activities covered fire safety, destruction of contraband, etc.



Fire Safety Knowledge Competition

Health Education

Good physical and mental health is essential for students to grow up sturdily. According to the spirit of “Guideline for Mental Health Education of Students in Higher Education” by the Party Committee of the Ministry of Education of the Communist Party of China, we have established the Mental Health Education Center to promote the construction of mental health education for students in our college and provide a series of psychological guidance activities in combination of the actual situation of our college. In response to the National Mental Health Day for College Student on 25 May every year, our Mental Health Education Center held a series of mental health activities in May 2020, including Mental Microfilm Video Contest, Mental Class Meeting, Mental Film Exhibition, Mind Development Competition, 21-Day No Complaint Program. The event, which was attended by nearly 8,000 students, successfully conveyed the concept of “spreading healthy psychology and building a harmonious campus”, so as to cultivate students’ self-esteem and self-confidence, rational and calm, positive and rational psychological qualities, and to create a good humanistic and caring atmosphere of “helping others, helping themselves and helping each other”.

Environmental, Social and Governance Report

Occupational Health and Safety

In view of the characteristics of the education industry and working environment, most of the Group's employees are teaching staff (such as teachers and administrators), and they have little risk of occupational hazards. A small number of employees (such as maintenance mechanics and outdoor workers) have a certain but low level of risk of occupational hazards. We have established a Safety Management System, implemented a safety responsibility system, strictly enforced safety systems and measures at each project site under construction at school, and regularly inspected the safety precautions at each construction site. If any problems related to occupational health and safety is found, we require timely correction and resolution to prevent all occupational hazard risks.

Case: Employee Health Protection

In addition to student health protection, we also pay attention to employees' health. We organise annual health examination for our employees. The examination includes medical examination, surgical examination, height, weight, blood pressure, blood count, liver function, kidney function, blood sugar, blood lipid, ultrasound, ECG, etc.

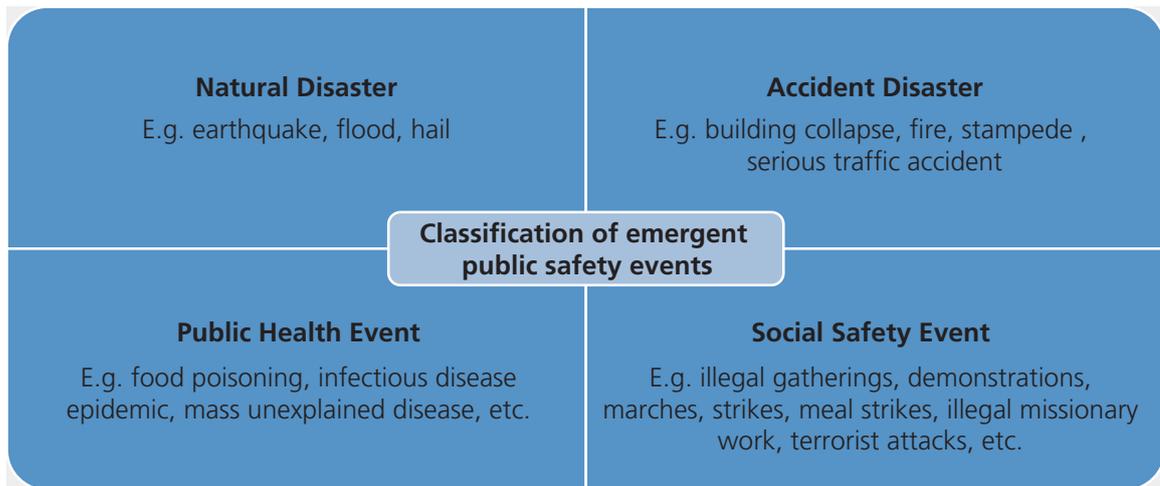


Health Check for Employee of Hubei Jiankang Vocational College

Environmental, Social and Governance Report

Responding to Emergency

We take "safety first, focusing on prevention" as our guideline and establish emergency response plans to deal with natural disasters, fire accidents, water and electricity outages, and campus emergencies in an efficient and quick manner to maintain the safety and stability of our student dormitories and to ensure timely and appropriate handling of accidents in emergency situations to minimise the harm of emergencies.



Case: Enhancing Emergency Response Capability

On 1 April 2021, Anyang University held "a special lecture on first aid training by Anyang University" and invited the director of the Medical Department of Health Service Center of Anyang Shang Song Community to give a special lecture on first aid training in the Academic Lecture Hall of the General Building. The training was attended by staff from the Food Service Center, restaurant employees and more than 300 student representatives. The training covered the basic knowledge of cardiopulmonary resuscitation, Heimlich maneuver, food poisoning, and first aid for electric shock, which made students and teachers know the steps for first aid and precautions basically through detailed illustration and advocate the skills of self-rescue and mutual rescue so as to further enhance instructors' emergency solving capacity.

Environmental, Social and Governance Report

Food Hygiene and Safety

To ensure the effective implementation of food hygiene and safety, we have established a number of food safety systems on campus, including the Food Safety Management System, the Rapid Food Safety Inspection Management System, and the Food Safety Self-Inspection and Reporting System. The main initiatives are as follows:

- | | |
|--|--|
| Regular food safety and sanitation inspections | <ul style="list-style-type: none"> • Daily on-site inspections by the cafeteria supervisors • Weekly inspection and scoring by cafeteria supervisors • Monthly food safety and hygiene inspections conducted by the center's director, who summarises the problems and lists the recommendations for rectification, and urges the cafeteria to make rectification within the deadline, followed by a review of the rectification situation. |
| Regular organisation of food safety training and education | <ul style="list-style-type: none"> • Online and offline training and assessment for cafeteria staff on food safety practices • Food safety knowledge seminars for teachers and students • Holding topic class meetings to promote food safety and nutritional health • Convening special meetings on food safety |
| Regular sampling of food quality | <ul style="list-style-type: none"> • Implementation of the principal's responsibility to accompany meals • Open Kitchen Day for Food Management Committee members |

Disease and Epidemic Prevention and Control

In order to reduce the impact of the COVID-19 pandemic on students' academic progress, we attach great importance to the prevention and control of the pandemic and remain vigilant at all times. We formulated the COVID-19 Prevention and Control Guidelines for Higher Education Institutions according to the national requirements for epidemic prevention and control, including the Law of the People's Republic of China on Prevention and Control of Infectious Diseases (《中華人民共和國傳染病防治法》), the National General Emergency Response Plan for Public Emergencies (《國家突發公共事件總體應急預案》), the Emergency Regulations for Public Health Emergencies (《突發公共衛生事件應急條例》), the Regulation on Sanitary Work of Schools (《學校衛生工作條例》), the Emergency Response Plan for Public Emergencies in the Education System of the Ministry of Education (《教育部教育系統突發公共事件應急預案》), the Guidelines for the Prevention and Control of COVID-19 in Colleges and Universities (《高等學校新型冠狀病毒肺炎防控指南》), and so on, which set out the measures and guidelines to fight against the pandemic.

Environmental, Social and Governance Report

In terms of prevention and control screening, we have formulated a Training Manual on Epidemic Prevention and Control to provide students with guidelines for returning to school, instructions for living in dormitories, psychological counseling services, dining guidelines, and healthy living guidelines. Based on the principle of “high vigilance, tireless work, strict control, and vigorous implementation”, we strictly implement the daily student epidemic prevention and control mapping work by means of information technology, and develop a student inspection system in the morning, afternoon, and evening. We apply the “Safety Reporting” function of the “Student Integrated Service Platform on Mobile Portal” for daily reporting, and especially formulate a system of “Registration of Absence from School due to Illness” and “Registration of Cause of Illness” to accurately grasp student dynamics and prevent the risk of importing and spreading of the pandemic.

In response to the sudden pandemic crisis, we set up the “Leading Group for Emergency Response to Public Health Incidents” and implemented the accountability system to be responsible for the public health safety of teachers and students and campus stability, and formulated the “pandemic emergency mechanism” to build a “school-college-class” three-level prevention and control system. In July 2020, a local case was found in Henan Province, Shangqiu University has activated the pandemic emergency mechanism, and students returning from medium-high risk areas are required to report to the school proactively and immediately, and to do their own health monitoring and actively cooperate with local hygiene and health department to implement pandemic control measures.

In terms of strengthening hygiene, we have formulated the Emergency Response Plan for Pandemic Emergencies, the Environmental Hygiene Inspection and Notification System, and the Health Education System for Prevention and Control of Infection Diseases. We have established a sound long-term and effective management mechanism by strengthening disinfection management and establishing complete disinfection files, and conducting standardised and regular disinfection procedures. At the same time, we also attach great importance to the prevention and control of infectious diseases and epidemics, and have established a health survey for all students and staff at least annually, and established health records and scientific management.

Environmental, Social and Governance Report

Case: COVID-19 Vaccination at Jingzhou University

In order to establish a regional immunisation barrier as early as possible and to strengthen the foundation of pandemic prevention and control, vaccination services for the new coronavirus are provided at Jingzhou University to maximise the coverage of the new coronavirus vaccination. Since 27 May 2021, the university has commenced the first vaccination services for students and faculty members free of charge, and 7,575 students and faculty members were vaccinated with the COVID-19 vaccination twice.



COVID-19 Vaccination

4.2 Teaching Quality Guarantee

Teaching quality is an important indicator to measure the level of operation of a college, the base and fundamental of the development of a college, and the lifeline of a college. Chunlai Education standardised school teaching management to improve the teaching quality and school efficiency. In this regard, we have implemented the teaching management system and formulated relevant systems such as Teaching Work Standards for Teachers of Anyang University (Revised), Compendium of Teaching Management Systems of Shangqiu University, Teaching Management Procedures of Anyang University, Teaching Work Standards for Undergraduate Teaching of Teachers of Tianping College of Suzhou University of Science and Technology and Implementation Measures for Teacher Evaluation of Hubei Jiankang Vocational College.

Environmental, Social and Governance Report

We have established a teaching quality control system, including evaluation of teaching quality, curriculum design quality, and apprenticeship quality. We have formulated the Evaluation Criteria and Evaluation Scheme for Major Teaching Quality, the evaluation criteria of which include lesson preparation, classroom teaching, homework and exercises, counseling and question and answer, course assessment, course design, experimental (practical training) teaching, internship, graduation practice, graduation thesis (design), second class, and other major aspects of education and teaching. The evaluation of teachers' teaching quality adopts a four-in-one comprehensive evaluation method, which consists of students, peer teachers, faculty (department) leadership evaluation and supervisory experts at both levels of the university and faculty (department), in order to conduct comprehensive evaluation in a comprehensive, objective and fair manner. We publicly recognise the top 20% of teachers with excellent evaluation results, and conduct faculty discernment talks for the bottom 5% of teachers with evaluation results to help analyze problems and offer suggestions for future improvement to continuously improve the overall quality of teaching. Curriculum design is an important practical part of improving students' professional abilities. We have developed Quality Evaluation Standards for Curriculum Design to evaluate the quality of curriculum design, the level of student ability, and the innovation of teaching content, and to continuously adjust and integrate appropriate teaching methods to teach students according to their abilities. Professional internship is a combination of the trend of higher education development and the orientation and requirements of our university's talent cultivation goals, and we have formulated the Quality Evaluation Standard for Internship, which requires that the professional internship instructors are generally double-teacher and double-competent teachers or teachers who meet the criteria for dual-teacher and dual-competency recognition and that they make full evaluation of students' practical ability including preparation, management and content of internship.

At the same time, our universities have established a Teaching Supervisory Committee, which is responsible for supervising the lecture listening of the whole school and handling of the results of lectures, as well as enforcing the requirement of attending lectures at least once a week, so as to help them improve their abilities in lesson preparation, lesson plan writing, teaching schedule and classroom teaching organisation, and to improve their teaching methods.

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In terms of complaint handling, we also pay attention to listening to the opinions of all parties and establish a multi-channel teaching information feedback system, including teaching information feedback from teachers, regular teachers' evaluation and regular satisfaction surveys to students and parents, in order to continuously improve classroom teaching and the teaching quality. In particular, we value feedback and evaluation from students and parents on the teaching of our programs. At present, the communication channels between the school and students and parents are mainly through the new media platform and backstage private messages and comments, and the feedback from students and parents to the school is basically focused on teacher qualifications, accommodation and food, etc. Specific details will be summarised by the Publicity Department in a timely manner according to the backstage situation, and feedback will be provided to various departments so that they can effectively grasp the concerns of students/parents and effectively serve students. We have established the Management of Student Teaching Information Officers to collect and summarise students' opinions and suggestions on teachers' teaching attitudes and standards, as well as opinions and suggestions on all aspects of the teaching process (including lesson preparation, classroom teaching, experimental teaching, assignment review, extracurricular counseling, practical sessions, curriculum design, examinations, etc.). In order to strengthen the communication between parents and staff and to effectively collect their opinions, suggestions and complaints, we have established a feedback mechanism and formulated the School-Parents-Student Communication System to understand parents' needs in a timely manner and actively improve school work.

In addition, as the main medium of communication between the school and students and parents, we ensure that the released information is true and accurate, and not exaggerated, inaccurate or misleading.

During the Reporting Period, we did not receive any complaints about our teaching services, and our average annual teaching praise rating was 95.04%.

Universities under Chunlai Education	Annual Teaching Praise Rating
Shangqiu University	94.38%
Anyang University	94.16%
Shangqiu University Kaifeng Campus	94.42%
Jingzhou University	95.97%
Hubei Jiankang Vocational College	97.13%

In order to further standardise teaching management and teaching processes and to prevent and promptly address the impact of extreme natural disasters and outbreaks of infectious diseases on normal school operations, we have developed a Teaching Emergency Plan to adjust and integrate appropriate teaching arrangements. During the period affected by the COVID-19 pandemic, we have launched an online teaching program and provided teachers with access to a public platform of educational resources. To ensure that teaching arrangements are carried out properly, we will conduct regular inspections and supervise the information on teaching resources, online learning and teaching materials on the platform, and review the online teaching content.

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4.3 Ethics and Teaching Styles of Teachers

In order to establish an excellent learning style, Chunlai Education strictly controls the construction of the ethics and teaching styles of teachers, standardises the professional ethics of teachers, and guides teachers to govern themselves, educate and teach on the basis of moral ethics. We have formulated the Implementation Rules for the Long-term Mechanism of Building the Ethics and Work Style of Teachers in Shangqiu University (《商丘學院師德師風建設長效機制實施細則》), the Academic Code of Ethics for Shangqiu University (Trial) (《商丘學院學術道德規範(試行)》), the Compilation of Faculty Development Center Rules and Regulations of Shangqiu University (《商丘學院教師發展中心規章制度匯編》), the Ethics and Teaching Styles Construction Program of Teachers for Shangqiu University Kaifeng Campus (《商丘學院應用科技學院師德師風建設方案》), the Implementation Plan for Strengthening and Improving the Construction of Ethics and Teaching Styles of Teachers in Anyang University (Trial) (《安陽學院加強和改進師德師風建設實施方案(試行)》), the Professional Code of Ethics for Teachers of Anyang University (《安陽學院教師職業道德規範》), the Compilation of System Files of Construction of Ethics and Teaching Styles of Teachers in Anyang University (《安陽學院師德師風建設制度檔匯編》) and the Code of Practice for Undergraduate Teaching of Teachers in Tianping College of Suzhou University of Science and Technology (《蘇州科技大學天平學院教師本科教學工作規範》) in accordance with relevant requirements including the Teacher Law of the People's Republic of China (《中華人民共和國教師法》) and the Higher Education Law of the People's Republic of China (《中華人民共和國高等教育法》), the Several Advices on Improving Academic Morality Construction (《關於加強學術道德建設的若干意見》) and the Notice on Serious Handling of Academic Misconduct in Colleges and Universities (《關於嚴肅處理高等學校學術不端行為的通知》) by the Ministry of Education, the Measures for Handling Misconduct in Science Fund Funding (Trial) (《對科學基金資助工作中不端行為的處理辦法(試行)》) by the National Natural Science Foundation of China and the "Several Advices on the Code of Conducts for Scientific and Technological Workers (《關於科技工作者行為準則的若干意見》) by the Ministry of Science and Technology together with other ministries and commissions. We have also required teachers to strictly comply with the relevant requirements. In addition, we set up the "Teacher's Ethics Assessment Working Group" and formulated the "Teacher's Ethics Assessment Measures (Revised)" to assess all school staff in terms of ideological quality, devotion to work, teaching and educating others, and serving as a model for teachers, in order to strengthen the supervision of teacher ethics and promote teachers to improve their own teacher ethics.

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4.4 Student's Employment and Development

In order to achieve higher quality and better employment of graduates, we have complied with, including but not limited to, the Regulations of the Ministry of Education of the People's Republic of China on the Administration of Students of General Institutions of Higher Education (《普通高等學校學生管理規定》) and the Code of Conduct for Students of National Higher Education (Trial) (《高等學校學生行為準則(試行)》), and formulated a series of systems related to the promotion of graduate's employment, including "Regulations on the Management of On-campus Recruitment Activities of Graduates" (《關於畢業生校內招聘活動的管理規定》), "System of Regular Meetings on Employment and Entrepreneurship" (《就業創業工作例會制度》) and "Temporary Regulations on Quality Tracking Survey System for Graduates" (《畢業生質量跟蹤調查制度的暫行規定》). At the same time, we have also formulated the "Target Responsibility Letter for Employment Work" (《就業工作目標責任書》), which will be signed by both the Employment and Entrepreneurship Guidance Service Center and the faculties of graduates, to set the minimum standards of the initial employment rate and the year-end employment rate of graduates every year. We disclose the admission information about graduates with a principle of truthfulness, accuracy, rigor and impartiality. In response to the requirements of the Ministry of Education and the provincial department, we set up a special employment and entrepreneurship section on the websites of each faculty, and promptly publish policies in relation to employment and entrepreneurship to screen job openings that match the majors of the faculties, and precisely introduce suitable job opportunities to graduates. Meanwhile, we actively carry out special job fairs and mini two-way-choice job fairs by industry or by category according to the characteristics of the majors of graduates, and hold no less than three recruitment events with the Career Guidance Service Center in the season of graduates' return to school and the internship recommendation month of next-year graduates.

Chunlai Education cares for the needs of students and prepares the Guide on Job Hunting for Graduates (《畢業生求職應聘指南》) for all graduates, and assists graduates in employment through the school-enterprise cooperation platform. In order to help impoverished graduates with employment difficulties (the "double difficulties") to become employed, we have formulated the Measures to Support Graduates with Employment Difficulties (《就業困難畢業生幫扶辦法》), and provide "one-to-one" employment services to them, including provision of guidance, training and recommendation in key areas. At the same time, we also provide financial assistance to impoverished graduates.

For the 2020/2021 school year, the employment rate of graduates of Shangqiu University was 87.29%; the employment rate of graduates of Anyang Campus of Anyang University was 79.57%; the employment rate of graduates of Shangqiu University Kaifeng Campus was 86.89% and the employment rate of graduates of Jingzhou College was 85.84%².

² As Yuan Yang Campus of Anyang University officially started its education work in October 2021 and is the first year of enrollment, there is no data on the employment rate of graduates from Yuan Yang Campus of Anyang University for the Reporting Period. As 2020 is the first year of enrollment of Hubei Jiankang Vocational College and students have not yet graduated in 2021, there is no data on employment rate of graduates from Hubei Jiankang Vocational College during the Reporting Period.

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5. ENSURING COMPLIANCE OPERATION

As an excellent educational institution, the Group shall be a role model to our students and society and operate the business in an honest, ethical and accountable manner. The Group strictly complies with the Listing Rules and other relevant laws and regulations promulgated by the Securities and Futures Commission and the Stock Exchange. Through the establishment of a risk management system, we have formulated the Risk Management Measures for Henan Chunlai Education Group (《河南春來教育集團風險管理辦法》), the Constitutions of the Risk Assessment Committee (《風險評估委員會章程》), the Internal Audit Regulations (《內部審計工作規定》) and the Constitutions of the Audit Committee (《審計委員會章程》).

5.1 Integrity and Compliance Governance

The Group upholds the anti-corruption and integrity values with honesty and integrity go first, and attaches great importance to the compliance operations of the Group. We strictly implement the regulations on anti-corruption and promoting integrity, such as the Clean and Honest Governance and Self-discipline Standard of the Communist Party of China (《中國共產黨廉政自律準則》), the 'Ten Impermissible Rules' Regarding Integrity and Self-discipline to be Abided by Party Members, Leaders and Cadres in University (《高校黨員領導幹部廉潔自律“十不准”》), and the Regulations on Appeals and Reclaims Initiated by the Discipline Inspection Group of the Communist Party of China (《中國共產黨紀律檢查機關控告申訴工作條例》) as well as other relevant requirements, and refuses any corruption and bribery. In order to improve the construction of clean government of the Group, we implemented the responsibility system for construction of Party conduct and clean government, and formulated the Implementation Measures on the Responsibility System for Construction of Party Conduct and Clean Government (《黨風廉政建設責任制實施辦法》) to establish the idea of compliance governance and cultivate a corporate culture based on legal culture. The measures stipulate that the Board and the audit department shall be responsible for the guidance of the anti-fraud, anti-bribery and anti-corruption conducts of the Group.

Members of the Board and school cadres of the Group are generally Party members, who fulfill the obligations of integrity and self-discipline of the Party, and have received the Party organisation discipline training and participate meetings on anti-corruption and integrity construction on a regular basis during the Reporting Period. In the future, we will provide more trainings on anti-corruption to all Board members and employees.

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Case:

On 12 October 2020, we organised all school management team members and relevant major leaders of functional departments to participate in the “Implementation Work Meeting for Thorough Governance of the Party with Strict Discipline Across the Provincial Education System and In-depth Rectification of Corruption and Wrongdoings around the Masses (全省教育系統全面從嚴治黨暨深入整治群眾身邊腐敗和不正之風工作推進會)” to promote an integrity culture. In the meeting, Henan University of Engineering, Education Bureau of Anyang Municipality, Luoyang Education Bureau and Zhengzhou University exchanged and spoke on special actions on thorough governance of the Party with strict discipline, special rectification of teachers’ moral misconduct, special rectification of arbitrary fees in education and special campaigns of “Results-based Reformation + Financial Governance” in turn.

In order to create a festive atmosphere with integrity, the branch committee directly under the Group has issued the Notice on the Arrangement of Construction of Party Conduct and Clean Government during the Ching Ming Festival and Labour Day Holidays in 2021 《關於2021年清明、五一假期期間做好黨風廉政建設工作的通知》, the Notice on Issuing of Anti-corruption during the New Year’s Day and Spring Festival 《關於印發元旦、春節期間廉潔過節的通知》 and the Notice on Strengthening Integrity Discipline during the “Mid-Autumn Festival” and “National Day” in 2020 《關於2020年「中秋節」、「國慶節」期間加強廉潔紀律工作的通知》, which require Party members and cadres at all levels of the Group to perform their duties, abide by various regulations of integrity and self-discipline, strictly implement the Standards of Integrity 《廉政準則》, and clearly eliminate all activities and ethos of “festival corruption”, such as the use of official vehicles or public funds for private tomb-sweeping, travelling, visiting to relatives and friends, use of public funds to buy and give gifts, consumer cards and other festive gifts, accepting relevant banquets in violation of work discipline under the guises of natives general associations, alumni associations and comrades’ associations.

In terms of the implementation of anti-corruption whistle-blowing, we have formulated the Measures for Public Complaints and Whistle-Blowing 《信訪舉報工作辦法》, and whistleblowers can report through personal visits, phone calls, mailboxes or emails and other channels. Once any reported case is verified, the authorities of discipline inspection and supervision will handle it in accordance with the Party Constitution, state laws, regulations, policies and school rules.

During the Reporting Period, the Group did not have any lawsuits related to corruption, nor were there any violation of relevant laws and regulations that have a significant impact on the Group’s operations.

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5.2 Healthy Risk Management

We have formulated seven working stages to form an effective risk management system. Risk identification, risk assessment and risk response are the specific implementation of risk management; risk testing, risk monitoring and cross-check, risk reporting and regular review are effective means to ensure the regulated operation of the risk management process; continuous improvement of risk management helps to re-control and re-improve the risk management process. After the initial establishment of the risk management system, it is required that the “risk assessment”, “risk response”, “risk testing”, “risk monitoring and cross-check” and “risk reporting” in the working process should be repeated no less than once every two years.

Risk Management System



We have identified social risks such as campus safety risks, teaching quality and health risks, and formulated corresponding emergency plans to deal with related risks, such as “Emergency Plan for Student Dormitory (學生宿舍突發事件應急預案)”, “Emergency Plan for Teaching (教學工作應急預案)” and “Emergency Plan for Public Health Emergencies (突發公共衛生事件應急預案)”. In terms of climate change risks, we have identified emergency risks, including extreme weather such as typhoons, rainstorms and flooding, and formulated corresponding emergency plans to deal with related risks, such as “Emergency Plan for Public Emergencies of Natural Disasters (自然災害類突發公共事件應急預案)”³.

³ For details of the “Emergency Plan for Public Emergencies of Natural Disasters (自然災害類突發公共事件應急預案)”, please refer to Section 7.5 Response to Climate Changes

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5.3 Information Security Assurance

We are committed to protecting the data privacy of our schools, students and parents, so as to safeguard our own interests and reputation. We strictly abide by state laws and regulations including but not limited to the Regulations of the People's Republic of China on Protecting the Safety of Computer Information Systems (《中華人民共和國計算器信息系統安全保護條例》), the Provisional Regulations of the Administration of International Networking of Computer Information in the People's Republic of China (《中華人民共和國計算器信息網絡國際聯網管理暫行規定》) and the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》), and have set up the Information Security Management System for Henan Chunlai Education Technology Co., Ltd. (《河南春來教育科技有限公司信息安全管理制度體系》) with reference to the National Standard GB/T18336 (Common Criteria for IT Security Evaluation) (國家標準 GB/T18336《信息技術安全技術信息安全評估通用準則》), the National Confidentiality Standard BMB3-1999 (Technical Requirements and Test Methods for Electromagnetic Shielding Rooms for Handling Confidential Information) (國家保密標準 BMB3-1999《處理涉密信息的電磁屏蔽室的技術要求和測試方法》) as well as the National Confidentiality Standard BMB2-1998 (Using Site Information Equipment Electromagnetic Leakage Emission Inspection Test Method and Safety Criterion) (國家保密標準 BMB2-1998《使用現場的信息設備電磁洩漏發射檢查測試方法和安全判據》), etc.. We manage the information system security level protection regime, and implement the overall security protection strategy by "zoning, grading and domain", effectively preventing losses and disclosure of information caused by management omissions. The followings are the focuses of our information confidentiality to prevent theft:

- Network administrators should scan the network for vulnerabilities on a quarterly basis, and analyze the scanning results together with system administrators and security administrators
- We install permanent and reliable anti-virus software for all computer equipment, and set permissions for the replacement of hardware and software
- We protect sensitive and important data through system permission control and industry-standard encryption technology
- Before dismissing or transferring the employees of relevant information system of the Group, a confidentiality agreement shall be signed to restrict security and confidentiality behavior
- All storage media such as USB flash drives to be used on computers with internet access must be checked for viruses to prevent the introduction of computer viruses

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In order to further improve the information security protection level of the Group, we established the “Network and Education Technology Center (網絡與教育技術中心)” and the “Network Security and Informatisation Leading Group (網絡安全和信息化領導小組)” to be responsible for the daily maintenance of the campus network system, handling of emergency information security incidents, and preparation of emergency response procedures and measures, respectively, so as to use school resources more effectively and ensure the safe and stable operation of the school information system.

During the Reporting Period, the Group did not have any complaints or lawsuits regarding data protection and privacy protection.

5.4 Intellectual Property Protection

We understand the importance of respecting intellectual property and the achievements of intellectual work, and strictly comply with the Trademark Law of the People’s Republic of China 《中華人民共和國商標法》, the Advertising Law of the People’s Republic of China 《中華人民共和國廣告法》, the Copyright Law of the People’s Republic of China 《中華人民共和國著作權法》, the Copyright Ordinance 《版權條例》 of Hong Kong, the Guidelines for Genuine Software Management 《正版軟件管理工作指南》, the Financial System of Colleges and Universities (Caijiaozi [2012] No. 488) 《高等學校財務制度》(財教字[2012]488號), the Administrative Regulations on the Protection of Intellectual Property Rights in Colleges and Universities (Ministry of Education [1999] Order No. 3) 《高等學校知識產權保護管理規定》(教育部[1999]3號令) and laws and regulations relating to intellectual property protection. We require employees to use copyrighted products and not to download or install any forged or copied programs, software or materials (including non-copyrighted materials, such as computer software, books, audios, videos, periodicals and magazines).

In order to protect the legitimate rights and interests of the Group and academic researchers, we mobilise the enthusiasm of teachers, students and employees for scientific research and technological innovation, and promote the enhancement of the teaching and research level of schools. We have formulated the Chunlai Education Group’s Implementation Measures for the Award of Scientific Research Achievements of Subordinate Schools 《春來教育集團關於下屬各學校科研成果獎勵的實施辦法》 and the Administrative Measures for Intangible Assets 《無形資產管理辦法》 to strictly protect the intellectual property of the Group, including but not limited to trade names, trademarks (logos), patents, copyrights and confidential data.

During the Reporting Period, the Group maintained 85 registered patents and 44 new patents.

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5.5 Supply Chain Management

The Group is committed to conducting supplier management in a responsible manner and has formulated the Procurement Management System (《採購管理制度》), the Tendering Process Management (《招標流程管理》), the Supplier Management System (《供應商管理制度》) and the Rating Standards for Suppliers (《供應商評級標準》) to standardise the selection, evaluation and monitoring procedures of suppliers in a fair, open and impartial manner.

In order to strengthen the Group's procurement management and improve procurement efficiency, the Group has formulated the Procurement Management System (《採購管理制度》) to standardise and improve the procurement operations of bulk procurement and regular procurement, and clearly delineate the scope of procurement. In addition, the Group clearly regulates the conduct of procurement-related personnel, prohibits procurement personnel from accepting banquets or gifts, and enters into the Integrity Responsibility Letter (《廉潔責任書》) with the project leader, the teacher responsible for formulating technical parameters, the purchaser of the construction project, and the suppliers participating in the bidding to ensure the fairness, openness and impartiality of the bidding process.

The monitoring procedures for supplier management are as follows:



We have established a supplier management system, and determined whether to include a supplier into the list of suppliers by benchmarking against its supply level, product quality status, price level, production technology level, financial status, credit status and management level in accordance with the Supplier Management System (《供應商管理制度》). The selected suppliers will be included in the "List of Qualified Suppliers (《合格供應商名單》)" and reviewed monthly, and qualified suppliers shall be re-evaluated on a quarterly basis. We will divide the purchased items into three levels, namely critical, important and general, according to their impact on demand, and different levels of control will be implemented for different levels. The followings are supplier evaluation criteria:

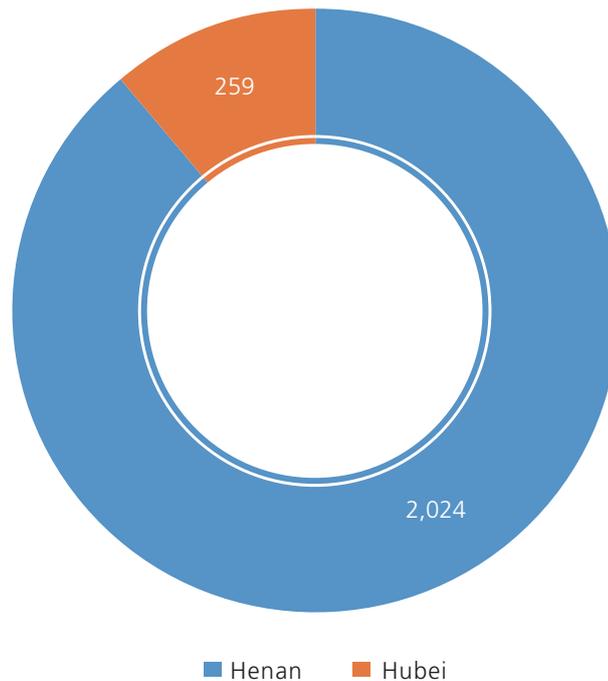


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The Group attaches great importance to the sustainability of the supply chain. Taking into account of suppliers' environmental and social risk factors in selecting suppliers, we have defined that all suppliers must have places of production and business required by relevant national regulations, complying with industry regulations, having capacities of corresponding production, environmental protection, supply, delivery and service, and have the ability to respond to national environmental protection policies, and prevent illegal emissions, employment of child labour and forced labour. In addition, we will give priority to companies with emerging energy or renewable energy, and suppliers meeting the national sustainable development strategy. In pursuit of product sustainability, we will take into account the product life (including durability and re-manufacturability), product production standards (including industry standards, environmental standards, safety standards, product certification requirements), and product quality (including the environmental impact caused from using or disposal of products). In the future, we will continue to strengthen the sustainability of supply chain management and proactively improve policies related to environmental procurement.

During the Reporting Period, we had a total of 2,283 major suppliers, of which, 2,024 were in Henan, the People's Republic of China, and 259 were in Hubei, the People's Republic of China. The procurement categories were mainly equipment, services, recreational and office, animal and plant, apparel fabrics, building materials, furniture, books and resources.

Number of suppliers (by region)



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6. FOCUSING ON EMPLOYMENT DEVELOPMENT

6.1 Compliance Employment Management

Chunlai Education regards employees as our most valuable assets. Adhering to the principle for the benefits of employees, we are committed to establishing harmonious labour relations. The Group insists on legal and compliance employment, and strictly abides by laws and regulations such as the Labour Law of the People's Republic of China 《中華人民共和國勞動法》, the Labour Contract Law of the People's Republic of China 《中華人民共和國勞動合同法》, the Implementation Regulations of the Labour Contract Law of the People's Republic of China 《中華人民共和國勞動合同法實施條例》, the Law on the Protection of Minors 《未成年人保護法》, as well as the Regulations on Prohibition of Child Labour 《禁止使用童工規定》 and the Regulation on Sanitary Work of Schools 《學校衛生工作條例》. We are committed to creating a fair and harmonious working environment, rejecting any form of insults and discrimination, prohibiting discrimination based on gender, age, religious belief, race and family status, and also resolutely prohibiting forced and exploitative labour practices, and undertake not to use child labour under the legal age.

We have formulated standardised and stringent Administrative Measures on Recruitment 《招聘管理辦法》 and Handbook for Teachers and Staff 《教職工手冊》, and adopted rigorous teacher recruitment standards. We adhere to the principles of "openness, impartiality, equality, competition and meritocracy" in recruiting teachers. We have set up a special recruitment leading group to take charge of specific recruitment matters, and the Personnel Department conducts qualification review of the candidates first, and strictly checks the employees' identity information and academic qualifications. Candidates who have passed the qualification review will then undergo entry assessments, and they will be screened step by step through written examinations, trial lectures and secondary examination, and then the candidates to be engaged will be finally determined. In case of fraud, we will terminate the labour contract pursuant to the Labour Contract Law. We select suitable candidates through objective factors, such as interview performance and attitude, diplomas, work experience and other capabilities commensurate with the position. In addition, we also protect the employment rights and interests in the Handbook for Teachers and Staff 《教職工手冊》, stipulating the working hours of employment. We also regularly check overtime and labour intensity of employees and forced labour is strictly prohibited.

During the Reporting Period, the Group did not have any violation relating to employment, employment of child labour or forced labour.

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Overview of the Group's employees during the Reporting Period is set out below:

Overview of Employees	Unit	2021
Total number of employees	person	4,926
Total number of employees (by gender)		
Female employees	person	2,902
Male employees	person	2,024
Total number of employees (by employee category)		
Short-term contract/part-time employees	person	839
Full-time junior employees	person	1,421
Full-time middle management	person	449
Full-time senior management	person	482
Other employees ⁴	person	1,735
Total number of employees (by age group)		
Employees under the age of 30	person	1,618
Employees aged 30-50	person	2,374
Employees over the age of 50	person	934
Total number of employees (by region)		
Employees from Central China region ⁵	person	4,926

Employee Promotion Management

We fully respect the development needs and opinions of teachers and staff, and have formulated the Staff Promotion Method (《職員晉升辦法》), the Implementation Method for the Construction of Middle-level Reserve Cadre Team (《中層後備幹部隊伍建設實施辦法》) and the Implementation Method for the Establishment of Institutions at Section Level and the Appointment of Cadres at Section Level (Trial) (《科級機構設置和科級幹部聘任實施辦法(試行)》). In terms of rank structure, each unit shall jointly negotiate with the Personnel Department and propose the name of institution at section level, job responsibilities, staffing and job qualification in accordance with its own work tasks, staffing and related regulations, and report to the school and the Group for approval. In terms of the appointment procedures for cadres at section level, the school will give priority to internal promotion, which will be recommended and nominated by the unit setting the post, and the Personnel Department will be responsible for the qualification review. The promotion conditions will refer to the performance of the candidate teachers in talents, morals and job performance. If no qualified candidates are nominated or open competition will be conducted upon research, candidates must pass the review by the head of the school in charge and the Principal's Office, and finally be approved by the Group.

⁴ Other employees includes staff in the logistics, catering, security, dormitory management and industrial categories

⁵ Employees by region during the Reporting Period are classified by location of work

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In addition, we have also set up the “Selection Methods for Teaching Quality Excellence Award (教學質量優秀獎評選辦法)” and select excellent teachers every year. Teachers who are awarded the “Teaching Quality Excellence Award (教學質量優秀獎)” will be granted honorary certificates and bonuses. In addition, selected teachers can also enjoy priority in terms of promotion, post appointment and external training, so as to commend and encourage excellent teachers who have made outstanding achievements in teaching, and promote all teachers in school to devote them to teaching reform.

Employee Resignation Management

In order to strengthen the standardised management of the resignation of the in-service staff in school and ensure the normal teaching and management order of the school, we have formulated the Administrative Measures for the Resignation of Teachers and Staff 《教職工離職管理辦法》. We carefully create an atmosphere of retaining talents by career, by emotion and by treatment, and make every effort to retain teachers and staff who have tendered their resignations, and help them solve problems in work, study and life, so that they can continue to play a greater role in the development and construction of the school. After the person in charge of each unit receives the written application of the resigning staff, we will talk to the resigning employees to gain an understanding of the real reason for their resignation.

6.2 Warm-hearted Care for Employees

Remuneration and Benefits

In order to attract and retain outstanding employees and increase their motivation to work for our school, the Group has formulated the Performance Assessment Measures 《績效考核辦法》 to offer our teachers and other employees with competitive remuneration packages. Apart from basic salaries, we provide allowances for housing and overtime as well as welfare bonuses, etc. for various positions to reward past contributions of employees for the colleges. We also regularly adjust the salaries of all employees by referring to the Group’s actual conditions, the level of economic environment and industry conditions to enhance their cohesion to the college, and stimulate employees' enthusiasm for work.

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In terms of benefits, in addition to the welfare benefits required by law, the Group has formulated the Handbook for Teachers and Staff 《教職工手冊》 and the Interim Measures for the Administration of Social Insurance 《社會保險管理暫行辦法》 to provide insurance package that comprises “five insurances and the housing fund” (i.e. pension insurance, work injury insurance, maternity insurance, unemployment insurance, medical insurance and housing provident fund) for qualified teaching employees who have signed valid contracts.

In terms of holidays, in addition to statutory holidays and annual leave, our employees shall be entitled to maternity leave, paternity leave, sick leave, wedding leave, funeral leave, winter vacation, Teacher’s Day and Mid-Autumn Festival. To meet the needs of new mothers at work, female employees can apply for breastfeeding leave after maternity leave. In addition, we also encourage on-the-job studies of teachers and employees, and provide a week off every semester during the course of study to give employees learning space.

Employee Activities

In addition to caring about our employees’ needs at work, we also encourage employees to be relaxed in their spare time. Each college and school of the Group organises group activity for teachers and employees from time to time to improve the cohesion and sense of belonging of the teacher team. During the Reporting Period, we organised various leisure and festival activities, including “Track and Field Sports Meeting – Faculty Group Competition” and “Young Faculty Recreational Activities”, which allowed employees to work with a positive attitude.



“Track and Field Sports Meeting – Faculty Group Competition”



“Young Faculty Recreational Activities”

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6.3 Diversified Talent Training

We recognise that talent training is an essential cornerstone for practicing high-quality teaching. In order to improve the overall quality and teaching standard of teachers, the Group has established a teacher development center in accordance with the Teacher Law of the People's Republic of China 《中華人民共和國教師法》 and the Regulation on Training Work for Teachers of Higher Education Institutions 《高等學院教師培訓工作規程》 and other relevant laws and regulations, and based on the current development of the Group, and organised to carry out general teaching ability training in a planned and targeted manner, provided teachers' ethics education, pre-job training, on-the-job training, on-the-job studies, academic exchanges and other aspects for standardised management. The detailed measures are as follows:

Training content for backbone teachers:

General teaching ability training	<ul style="list-style-type: none"> • Educational philosophy • Basic teaching norms • Teaching theory and technology • Modern educational technology • Professional ethics
Special training for the development of new educational theory and technology at home and abroad	<ul style="list-style-type: none"> • Employ experts, famous teachers to provide individual or group teaching consultations for teachers through the forms of attending classroom lectures, observing class videos, and micro-class teaching • Build a platform for teachers to exchange teaching research and reforms through opening of teacher salons and new teacher workshops
Dual-qualified teachers development plan	<ul style="list-style-type: none"> • Engineering laboratory technicians shall be required to enter relevant enterprise for further studying and training for at least 3 months within five years • Encourage on-the-job study for master's and doctorate degrees; establish a regular training system for laboratory technicians, and each laboratory technician shall be required to participate in a further studying and training within five years

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With the continuous expansion of the scale of higher education, the faculty is becoming younger and more highly educated, and young teachers have become an important part of the faculty of colleges and universities. We understand that the teaching ability of young teachers affects the overall teaching standard of the faculty and is also a key factor in the sustainable development of the college. In view of this, we have established a sound teacher's teaching ability development system to institutionalize and standardise the teaching of young teachers. In order to enable young teachers to join the teaching team as soon as possible, we focus on the development of teachers' ethics and style, teaching ability and professional application ability. The detailed measures are as follows:

Training content for young teachers:

Teachers' ethics and style	<ul style="list-style-type: none"> • Organise education activity on the theme of teacher ethics • Provide ethics education training and assessment, and regard teacher professional ethics education as an important part of induction training for young teachers
Teaching ability	<ul style="list-style-type: none"> • Provide pre-job and on-the-job teaching skills training, teaching support and services • On-the-job tutor training: Adopt the tutor-assisted teaching system for young teachers to strengthen the training of new teachers, and adopt one-on-one training between old and new teachers to familiarise themselves with the teaching process • Establish a tutor system for young teachers and a teaching supervision system for colleges • The college should provide young teachers with tutors and develop training rules for the teaching of young teachers • Observe teaching of outstanding teachers, and each young teacher shall participate at least twice an academic year • Establish teaching business files for young teachers • Establish a teaching competition system for young teachers, such as PPT competitions, lesson plan comparison and other activities
Professional application ability	<ul style="list-style-type: none"> • Develop career plans and personal growth plans, and clarify the direction of professional teaching • Support young teachers to take part-time or temporary positions in enterprises. Young teachers should spend a total of more than half a year to practice in enterprises or in the front line of production services every 5 years

Environmental, Social and Governance Report

“Fourteenth Five-Year Plan” for Construction of Teaching Staff (《「十四五」師資隊伍建設規劃》) (2021-2025)

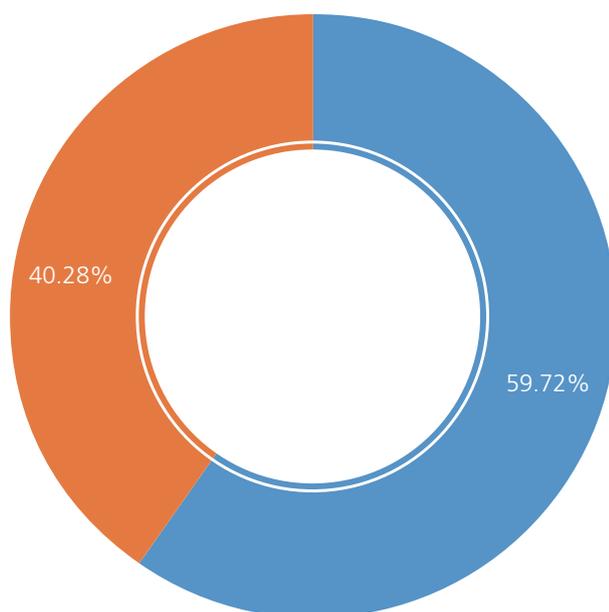
In order to further implement the principles of the Outline of China’s National Plan for Medium – and Long-Term Education Reform and Development (2020-2035) (《國家中長期教育改革和發展規劃綱要(2020–2035年)》) and the Outline of Plan for Medium – and Long-Term Education Reform and Development in Henan Province (2020-2035) (《河南省中長期教育改革和發展規劃綱要(2020-2035年)》), we have formulated the “Fourteenth Five-Year Plan” for Construction of Teaching Staff (《「十四五」師資隊伍建設規劃》) (2021-2025) based on work experience during the “Thirteenth Five-Year Plan” period. In terms of academic performance, we expect to increase the scientific research projects of our school, publish and obtain more academic papers published by teachers, publish academic works, teaching materials, national authorised patents, and awards for outstanding achievements. In terms of hardware support, we strive to build more key laboratories and key research bases above the municipal level.

In order to achieve the vision of “expert-led, backbone-supported and dual-qualified teacher structure” in terms of quantity and quality, we have adopted the strategy of strengthening the school with talents to strengthen the teaching staff and strengthen the development of young teachers. In view of this, we have formulated the “Development Plan for Construction of Teaching Staff (2020-2021 Academic Year) (《師資隊伍建設發展規劃(2020-2021學年)》) with three objectives: (1) to enlarge the scale of full-time teachers; (2) to optimise the structure of teaching staff; (3) to train and introduce high-level talents, so as to increase efforts in the construction of teaching staff.

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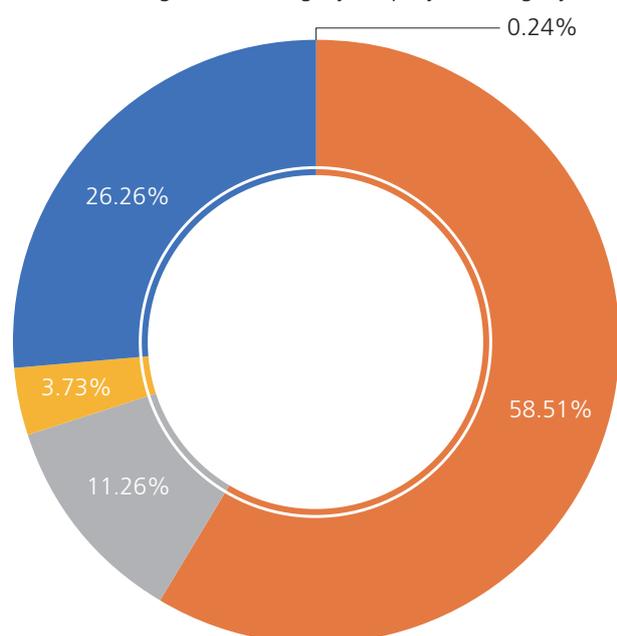
Overview of the Group's employees training during the Reporting Period is set out below:

Percentage of training by gender



■ Female employees ■ Male employees

Percentage of training by employee category



■ Short-term contract/part-time employees
 ■ Full-time junior employees
 ■ Full-time middle management
 ■ Full-time senior management
 ■ Other employees

Average training hours ⁶ (by gender)	Unit	2021
Female employees	hour	9.18
Male employees	hour	8.47

Average training hours ⁶ (by employee category)	Unit	2021
Short-term contract/part-time employees	hour	54.00
Full-time junior employees	hour	10.85
Full-time middle management	hour	17.96
Full-time senior management	hour	15.11
Other employees ⁴	hour	4.74

⁶ Calculation method: the total training hours of training employees of that category/the total number of training employees of that category

Environmental, Social and Governance Report

7. ADVOCATING GREEN CAMPUS

We are committed to making our campus green, low-carbon and pollution-free. With environmental sustainability in mind as we build the campus and manage its environment, we advocate a green and harmonious lifestyle for all teachers and students. We have formulated the Regulations on Saving Electricity in Canteens, the 2020 College Programme on Cost-saving and Prevention of Food Wastage and the Regulations on Disposal of Food Waste, thus creating a campus culture and atmosphere that promotes energy saving and emissions reduction. To ensure the implementation of the above regulations and programme, we have included related tasks in our critical issue list for day-to-day management. We implement environmental protection measures and practice green operation through energy saving, water conservation, waste management, paperless office and emission management.

As an education group, we make little impact on the environment and natural resources, however, the Group understands its environmental responsibility and seeks to contribute positively to energy saving and emissions reduction. The major environmental impact we have identified is generated from water consumption, school and office supplies consumption, energy consumption, campus household waste, wastewater, air and waste generated by canteen operations as well as the use of vehicles of the Group.

During the Reporting Period, there were no irregularities related to emission of exhaust gas and greenhouse gas, waste discharge into water and land as well as the generation of hazardous and non-hazardous wastes, nor major incidents that were related to environmental violations.

7.1 Emission Management

The Group strictly complies with the Environmental Protection Law of the People's Republic of China 《中華人民共和國環境保護法》, Water Pollution Prevention and Control Law of the People's Republic of China 《中華人民共和國水污染防治法》, the Energy Conservation Law of the People's Republic of China 《中華人民共和國節約能源法》 and relevant environmental laws and regulations in the places where its business operates, such as the Regulations on Air Pollution Prevention and Control of Henan Province 《河南省大氣污染防治條例》. Our discharges and emissions mainly includes exhaust emissions from vehicles owned by the Group and its canteens, waste water from catering, domestic waste water, and campus domestic waste.

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Greenhouse Gas Emission Management

The Group carried out greenhouse gas emission inspections in our five schools, namely, Shangqiu University, Anyang University, Shangqiu University Kaifeng Campus, Jingzhou University and Hubei Jiankang Vocational College, in compliance with the Greenhouse Gas Protocol 《溫室氣體盤查議定書》 developed by the World Resources Institute and the World Business Council for Sustainable Development and the ISO14064-1 set by the International Organisation for Standardisation. The summary of greenhouse gas emissions during the Reporting Period is as follows:

Greenhouse gas emission performance	Unit	2021
Greenhouse gas emissions		
Direct greenhouse gas emissions (Scope 1)	tonnes of carbon dioxide equivalent	16,853.35
Greenhouse gas emission removals from newly planted trees (Scope 1)	tonnes of carbon dioxide equivalent	648.14
Indirect greenhouse gas emissions (Scope 2)	tonnes of carbon dioxide equivalent	27,797.25
Total greenhouse gas emissions (Scope 1&2)	tonnes of carbon dioxide equivalent	44,002.46
Greenhouse gas emission intensity		
Per square metre (Scope 1&2)	tonnes of carbon dioxide equivalent/ square metre	0.014

Scope 1: Direct greenhouse gas emissions from sources owned and controlled by the Group.

Scope 2: Indirect greenhouse gas emissions from electricity generation, heating and cooling, or steam purchased by the Group.

Our greenhouse gas emission comes from the fuel consumption of the Group's fixed equipment and vehicles, the use of refrigerants (Scope 1) and the consumption of purchased electricity (Scope 2). During the Reporting Period, the total greenhouse gas emission (Scope 1 & 2) was 44,002.46 tonnes of carbon dioxide equivalent, representing an increase⁷ from last year. In the future, we will continue to monitor the greenhouse gas emission, and adopt effective low-carbon measures to mitigate climate change.

⁷ Reason for increase: 1. Jingzhou University and Hubei Jiankang Vocational College were newly added to the reporting scope during the Reporting Period; 2. In the last report, all colleges were suspended due to the COVID-19 pandemic in the spring semester, but all colleges were operating normally during the Reporting Period.

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Air Pollutant Emission Management

The Group strictly implements the Air Pollution Prevention and Control Law of the People's Republic of China and other relevant laws and regulations. During its operation, gasoline and diesel consumed by our school's vehicles and garden machinery will produce air emissions such as sulphur oxides (SO₂), nitrogen oxides (NO_x) and particulate matter (PM).

During the Reporting Period, the types and data of air pollutant emissions generated by our vehicles are as follows:

Type of emissions	Unit	2021
Nitrogen oxides (NO _x)	kg	410.20
Sulphur oxides (SO ₂)	kg	0.78
Particulate matter (PM)	kg	32.92

Apart from vehicles, exhaust emissions from restaurants are also a key source of air pollutants. In order to reduce air pollutant emissions, we have installed oil fume filtering devices for all smoke extraction facilities in the canteens. We clean up the flue purifier on a regular basis, which can ensure that the fume emission of our canteens fully meet the environmental emission requirements.

7.2 Cherishing our Natural Resources

Management of Water Resources

The Group strictly implements the Water Pollution Prevention and Control Law of the People's Republic of China 《中華人民共和國水污染防治法》 and other relevant laws and regulations, as well as the relevant environmental laws and regulations in the places where its business operates, such as the Regulations on Water Pollution Prevention and Control of Henan Province 《河南省水污染防治條例》. Our domestic sewage mainly comes from the campus canteens owned by the Group and our dormitories. The Group does not have any issue in sourcing water that is fit for purpose in its operations, and the domestic sewage is discharged through the municipal drainage and sewage network to the urban sewage treatment plant for disposal.

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During the Reporting Period, our domestic water consumption data are as follows:

Water consumption	Unit	2021
Total water consumption	tonnes	1,114,875.84
Total water consumption intensity	tonnes/square meter	0.35
Total water consumption intensity	tonnes/person ⁸	12.44

During the Reporting Period, the total water consumption of the five colleges under the Group during the operation process increased over the previous year⁷.

We have formulated the Rules on Use of Water, the Rules on Water Saving, and the Appraisal System for Water Saving to improve efficiency in the use of water resources. We have also established water-saving goals and a responsibility system for water-saving posts in canteens. In addition, we have strengthened daily water-saving work and education on campuses and canteens. The main water saving measures are as follows:

- The kitchens use water-saving faucets, and separate water meters are installed for measurement to prevent excessive water use when washing vegetables and melting ice
- Each stove is installed with facilities to separate oil and water, so sewage discharge can be reduced
- Improve water efficiency by recycling water used in washing rice and vegetables
- Defrost chilled meat and food in advance, avoid wasting water by rinsing

Energy Management

The Group strictly implements the Energy Conservation Law of the People's Republic of China 《中華人民共和國節約能源法》 and other relevant laws and regulations, as well as relevant environmental laws and regulations in the places where its business operates, such as the Regulations on Energy Conservation of Henan Province 《河南省節約能源條例》. Energy consumption of the Group mainly includes the use of electricity in daily business operations, the use of natural gas in canteens, and the use of gasoline and diesel in transportation.

During the Reporting Period, our electricity consumption data are as follows:

Electricity consumption	Unit	2021
Total electricity consumption	MWh	45,561.79
Total electricity consumption intensity	MWh/square meter	0.014
Total electricity consumption intensity	MWh/person ⁸	0.51

⁸ Calculated based on the number of employees and students as of 31 August 2021

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During the Reporting Period, the total operational power consumption of the five colleges increased over the previous year⁷.

The main energy-saving measures we have taken to boost energy efficiency are as follows :

Power saving system

- For the use of air conditioners, the temperature difference between indoor and outdoor in summer should be controlled within 7-9°C, and in winter the indoor temperature should be controlled within 20°C. When the outdoor temperature is higher than 35°C, the indoor temperature should be controlled above 26°C
- When the season changes, check the temperature difference between the air-conditioning water supply and return water. When the air-conditioning load is small, slightly increase the temperature of the chilled water supply to reduce the energy consumption of the refrigeration equipment
- Capacity and number of transformers should be reasonably configured with reference to the specifications of the electrical load, and the operating load shall be controlled at 70-90% of the rated capacity
- Based on actual weather conditions, the number of cooling system equipment is optimised to improve the safety of the cooling and air conditioning system. At the same time, the number of cooling water system equipment can be reasonably matched to save energy in accordance with the actual weather conditions and the heat load of the canteens

Lighting system

- Use energy-saving lighting:
- Replace incandescent lamps with close-reading fluorescent lamps; replace high-pressure mercury lamps with high-pressure sodium lamps or metal halide lamps; replace ordinary inductive rectifiers with electronic rectifiers
- Use shunt circuits to reduce the lighting intensity of certain areas after working hours as needed
- Use light control mode to control the switching time of outdoor public road lighting
- Use energy-saving lamps as much as possible and phase out ordinary incandescent bulbs
- It is not allowed to turn on the lights all the time and during the daytime. Try to use natural lighting in the office on sunny days. For larger office spaces, the lights should be reduced as much as possible when there are few people, and the lights should be turned off when people leave. In public places such as stairs and corridors, on the basis of ensuring appropriate illuminance, reduce the number of corridor lights as needed, or implement shunt control, turn on the lights as needed

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7.3 Waste Management

The Group strictly complies with the Solid Waste Pollution Prevention Law of the People's Republic of China 《中華人民共和國固體廢物污染環境防治法》 and the Measures for the Management of Municipal Solid Waste 《城市生活垃圾管理辦法》 in its waste management. In order to stop food waste, we have formulated the College Programme on Cost-saving and Prevention of Food Wastage and Tasks to be Done to Advance Cost-saving and Prevention of Food Wastage, Regulations on Management of Low-value Consumables in Canteens and the Regulations on Disposal of Food Waste. The main measures are as follows:

- Improve the management of low-value consumables. The consumables in the canteens shall be centrally kept by the warehouse controller, and shall not be obtained by others without the consent of the canteen management personnel. Regulations shall be formulated on the time, personnel and quantity concerning the consumables to be used, and the expenses exceeding the budget that have not been granted in accordance with the regulations shall be borne by the user himself
- Teachers and students are encouraged to dine-in, use serving chopsticks and spoons, and strive to reduce the use of disposable tableware. If anyone needs to pack their food, use biodegradable paper bags, paper bowls and other environmental-friendly tableware
- The domestic waste and food waste of the canteens are disposed of by qualified waste disposal companies in accordance with the law, and waste disposal contracts are signed
- The canteens use disposable pp packing boxes made of recyclable pp plastics. Students shall be reminded to throw the packing boxes into the trash bins for recyclables

In order to fulfil our corporate social responsibility in terms of environmental protection, we actively work to reduce waste. If we have discarded computers and other electronic waste, we will send them to collectors for recycling. Non-hazardous waste mainly includes campus domestic waste. During the Reporting Period, the total amount of non-hazardous waste produced is 6,675.78 tonnes, an increase of 1%⁷ over last year. The intensity of non-hazardous waste production is 0.075 tonnes⁷.

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7.4 Green Infrastructure Development

As for the infrastructure improvements on the campus, we have formulated a compilation of the college's infrastructure rules and regulations to minimise the impact on the environment and natural resources. The main measures for energy conservation and emission reduction are as follows:

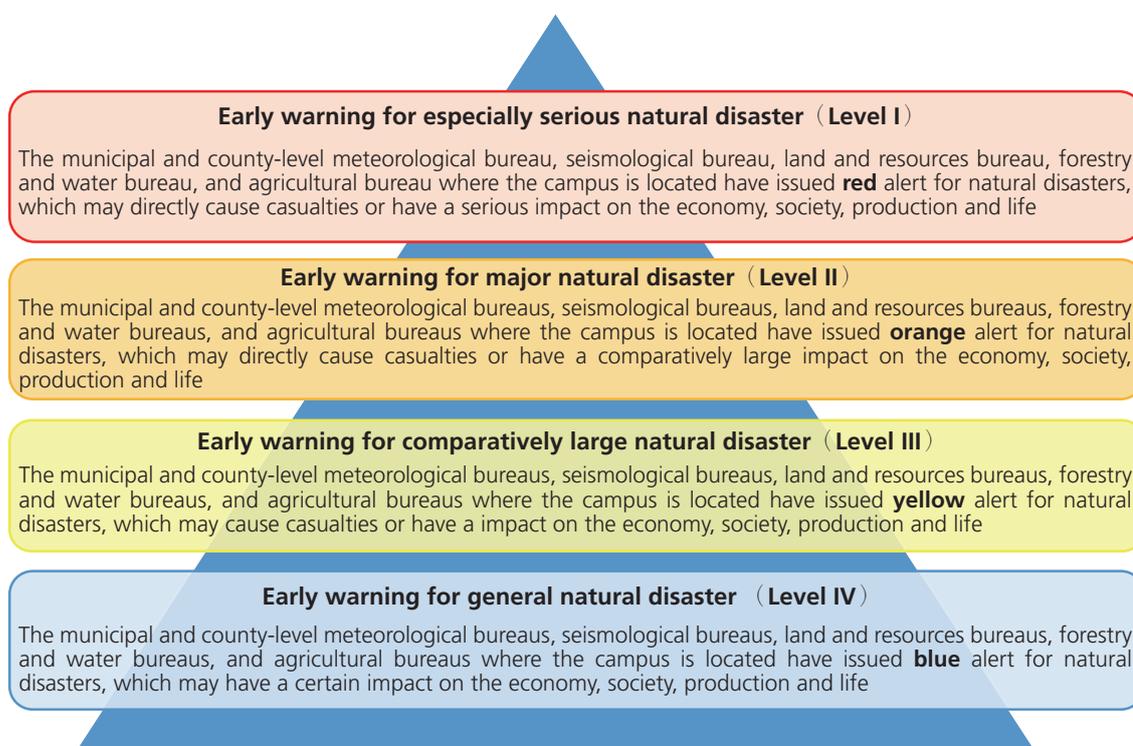
Dust management	Projects under construction need to set up fences and flush the vehicles at entrance or exit to reduce dust
Noise management	Use sound insulation and vibration isolation measures (such as low-noise and low-vibration machines) to ensure that the noise at the construction sites is lower than the national standard
Energy-saving	Give priority to the use of energy-efficient construction machinery and equipment that meet national standards or those recommended by the industry
Water-saving	Use efficient water-saving systems, equipment and construction techniques
Water pollution management	Set up corresponding treatment facilities for different sewage in strict accordance with the requirements of the national discharge standards

7.5 Responding to Climate Change

As a leader in the education industry, we understand that education is the cornerstone of human progress and that the education industry plays an important role in tackling climate change. Admittedly, the Group mainly engages in private higher education, so climate change rarely has a significant impact on our operations. Once affected by extreme weather, we will actively respond to relevant local government policies and make emergency plans to ensure the personal safety of our employees and students. With reference to industry practices and giving consideration to our actual operations, we have identified the risks related to climate change, including physical risks, such as flooding, super typhoons, storm surges, and extreme rainfalls. We have incorporated climate change risks into our risk management system, and have formulated emergency plans and disaster preparedness plans to enhance our overall capacities to cope with natural disaster risks, thus ensuring that we deal with emergencies of natural disasters in a timely and efficient manner and address climate crisis positively.

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In July 2021, Henan Province was plagued by floods. The Group faced the threat of natural disasters with cool-headedness. We have formulated the Natural Disaster Emergency Response Plan to regulate the task-sharing among various institutions in the school, as well as the treatment and rescue measures to be taken after the occurrence of natural disasters, thus enhancing its resilience to natural disasters. We have divided the natural disasters into four levels based on the intensity and the degree of damage that may or have been caused, as shown in the following figure:



Natural Disaster Emergency Response Plan

We are fully aware of the impact of climate change on the operations of the Group. As energy consumed by our schools consists mainly of water and electricity, the hydropower equipment and infrastructure bear the brunt of the threat of natural disasters. In view of this, we have identified the importance of hydro power energy-saving management to the operation of the Group, and have established a "Water Cut and Power Cut Emergency Plan" and formulated a regular system for water and electricity saving. In the future, we will continue to control and adapt to the impact of natural disasters (such as water cuts and power outages) on the Group, while aiming at "Building an Energy-saving Campus".

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7.6 Promoting the Green Lifestyle

Frugality is a traditional virtue, and it is also regarded as a responsibility and obligation by the world citizens in their environmental protection practices. We attach great importance to the cultivation of our students' sense of responsibility in environmental protection. While integrating green concepts into the daily teaching, we strive to raise students' awareness about environmental protection and foster their eco-friendly habits. During the Reporting Period, we mainly led students to participate in Campus Environmental Awareness Campaign as volunteers through environmental protection education.

Case: Campus Environmental Awareness Campaign

Shangqiu University Kaifeng Campus marked the annual World Water Day on 22 March by launching an awareness campaign on water-saving.



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Case: Campus Environmental Protection Activities

Shangqiu University Kaifeng Campus organised waste recycling activities to discover its reuse value, which not only improved students' environmental awareness, but also promoted the sustainable development of resources.



8. COMMITMENT TO SOCIAL WELFARE

While pursuing its own development, we also bear in mind the support and trust given to us by all sectors of society. Therefore, we vigorously support social welfare undertakings by harnessing our strengths and educational resources, thus assuming corporate social responsibility. During the Reporting Period, we organised a series of volunteer activities with participation from 430 employees and 193,733 students. Our students can serve the society and create values through participating in volunteer activities. In addition, working as volunteers is also an important form of social life for them as they have not yet formally entered society. We hope that our students can improve their personal moral quality through voluntary service, and convey support and care to vulnerable groups.

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During the Reporting Period, the donation we collected amounted to RMB63,078.

Case: Warm Clothes, Warm the Heart

In an effort to help those in underdeveloped areas, Shangqiu University Kaifeng Campus held a fund-raising event on 8-11 December 2020. Clothes, books, stationery and other resources collected will be passed on to children living in poverty so that the available resources are made best use of.



"The Blossoming Spring Fund-raising Activity"

Case: Love and Respect for the Elderly

In order to carry forward the traditional virtue of respecting the elderly, the Young Volunteers Association of Shangqiu University organised a public welfare activity called Spreading Love in the Home for the Aged. Our volunteers helped the elderly clean up, talked with the elderly attentively, listened to their concerns and tried to provide solutions, thus enabling the elders to enjoy a full and happy leisure time. Through this volunteer activity in the home for the aged, students can understand the living conditions of the elderly and give them spiritual condolences. We call for a strengthening of the students' sense of social responsibility and encourage the students to pay attention to the elderly group.



"Volunteer Service in a Home for the Aged"

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Case: Donating Blood, Spreading Love

To promote the spirit of selfless dedication, Hubei Jiankang Vocational College encouraged students to donate blood. Students in good physical condition actively participated in social medical assistance. This not only improved their sense of social responsibility, but also helped ensure the supply of blood in Mianyang City. At the same time, we also promoted knowledge about blood donation, and encouraged students to care for society and enhance moral quality.



"Donating Blood, Spreading Love"

Unity is strength as we fight the COVID-19

At present, the COVID-19 is still raging in the world, and we continue to pay close attention to the development of the COVID-19 and COVID-19 prevention work. In line with the purpose of Be Set in Campus and Serve the Society, the Young Volunteers Association of Shangqiu University especially launched the fund-raising initiative called "Supporting Shangqiu City in the Fight against COVID-19". Thanks to the publicity work of various student groups of Shangqiu University, as well as online publicity and reposting, students at all levels actively participated. The number of donors reached 1,531, with a total donation of RMB22,412.51. Some of these funds were used in Shangqiu University's COVID-19 prevention and control work in the school and its surrounding areas, and the remaining was remitted to the special account of the Red Cross Society of Shangqiu City.

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Case: Support COVID-19 Prevention and Control

Jingzhou University sought to assist in the regular COVID-19 prevention and control of the railway station, it carried out the voluntary activity called "Assist the Railway Station in its COVID-19 Response". As required by the regular COVID-19 prevention and control work, the railway strictly controlled the verification and diversion of the increased passenger traffic during the May Day holiday.



"Assist the Railway Station in its COVID-19 Response"

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APPENDIX I : SUMMARY OF SUSTAINABLE DEVELOPMENT DATA

Environmental Area ¹⁰	Unit	2021
Type of emissions		
NO _x	kg	410.20
SO _x	kg	0.78
PM	kg	32.92
Amount of greenhouse gas emissions		
Direct greenhouse gas emissions (Scope 1)	tCO ₂ e	16,853.36
Greenhouse gas removals from newly planted trees (Scope 1)	tCO ₂ e	648.14
Indirect greenhouse gas emissions (Scope 2)	tCO ₂ e	27,797.25
Total amount of greenhouse gas emissions (Scope 1&2)	tCO ₂ e	44,002.46
Intensity of greenhouse gas emissions		
Per square meter (Scope 1&2)	tCO ₂ e/m ²	0.014
Electricity consumption		
Total electricity consumption	MWh	45,561.79
Total electricity consumption intensity (per square meter)	MWh/m ²	0.014
Total electricity consumption intensity (per person)	MWh/person ⁸	0.51
Fixed equipment fuel consumption		
Gasoline consumption	tonne	8.70
Natural gas consumption	m ³	610,283.00
Liquefied natural gas consumption	m ³	12,074.00
Diesel consumption	tonne	3.21
Liquefied petroleum gas consumption	tonne	61.73
Motor vehicle fuel consumption		
Gasoline consumption	litre	36,990.47
Diesel consumption	litre	10,945.19
Water consumption		
Total water consumption	tonne	1,114,875.84
Total water consumption intensity (per square meter)	tonne/m ²	0.35
Total water consumption intensity (per person)	tonne/person ⁸	12.44

¹⁰ The environmental area of the collection covers five schools under the Group: Shangqiu University, Anyang University, Shangqiu University Kaifeng Campus, Jingzhou University and Hubei Jiankang Vocational College.

Environmental, Social and Governance Report

Environmental Area¹⁰	Unit	2021
Hazardous waste production		
Batteries	piece	1,127
Used ink cartridges and used toner cartridges	piece	611
Non-hazardous waste production		
Total non-hazardous waste production	tonne	6,675.78
Non-hazardous waste production intensity	tonne/person ⁸	0.075
Paper consumption		
Total paper consumption	kg	16,163.13
Paper consumption per capita	kg/employees	4.12
Social Area¹¹	unit	2021
Total number of employees	person	4,926
Total number of employees (by gender)		
Female employees	person	2,902
Male employees	person	2,024
Total number of employees (by employee category)		
Short-term contract/part-time employees	person	839
Full-time junior employees	person	1,421
Full-time middle management	person	449
Full-time senior management	person	482
Other employees ⁴	person	1,735
Total number of employees (by age group)		
Under the age of 30	person	1,618
Aged 30-50	person	2,374
Over the age of 50	person	934
Total number of employees (by geographical region)⁵		
Employees from Central China region	person	4,926
Turnover rate¹²		
Total employees turnover rate	%	11.23

¹¹ Social area collection covers the whole Group.

¹² Turnover rate equals the number of employees lost divided by the number of employees at the end of the year multiplied by 100%.

Environmental, Social and Governance Report

Social Area ¹¹	unit	2021
Employees turnover rate¹² (by gender)		
Female employees	%	11.54
Male employees	%	10.77
Employees turnover rate¹² (by age group)		
Under the age of 30	%	18.17
Aged 30-50	%	8.89
Over the age of 50	%	5.14
Employees turnover rate¹² (by geographical region)⁵		
Employees from Central China region	%	11.23
Training employees percentage (by gender)		
Female employees	%	59.72
Male employees	%	40.28
Training employees percentage¹³ (by employees category)		
Short-term contract/part-time employees	%	0.24
Full-time junior employees	%	58.51
Full-time middle management	%	11.26
Full-time senior management	%	3.73
Other employees ⁴	%	26.26
Average training hours⁶ (by gender)		
Female employees	hour	9.18
Male employees	hour	8.47
Average training hours⁶ (by employee category)		
Short-term contract/part-time employees	hour	54.00
Full-time junior employees	hour	10.85
Full-time middle management	hour	17.96
Full-time senior management	hour	15.11
Other employees	hour	4.74
Occupational health and safety		
Number of work-related fatalities in each of the past three years (including the Reporting Year)	person	0
Number of work-related fatalities rate in each of the past three years (including the Reporting Year)	%	0
Lost days due to work injury	day	0

¹³ Calculation method: the number of training employees of that category/the total number of employees of that category.

Environmental, Social and Governance Report

APPENDIX II: INDEX TO THE ESG REPORTING GUIDE OF THE STOCK EXCHANGE

Indicators		Related Sections	
A. Environmental Area			
A1 : Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	7. Advocating Green Campus
	KPI A1.1	The types of emissions and respective emissions data.	7.1 Emission Management Appendix I: Summary of Sustainable Development Data
	KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.1 Emission Management Appendix I: Summary of Sustainable Development Data
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.3 Waste Management Appendix I: Summary of Sustainable Development Data
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.3 Waste Management Appendix I: Summary of Sustainable Development Data
	KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	In view of the Group's sustainable business, Jingzhou University and Hubei Jiankang Vocational College were added to the reporting scope in the Reporting Period. The current collection of environmental data did not reflect the Group's comprehensive operation. Therefore, no emission target(s) has been set in the Reporting Period. In the coming year, we will continue to review the setting of emission target(s).
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	7.3 Waste Management In view of the Group's sustainable business, Jingzhou University and Hubei Jiankang Vocational College were added to the reporting scope in the Reporting Period. The current collection of environmental data did not reflect the Group's comprehensive operation. Therefore, no reduction target(s) has been set in the Reporting Period. In the coming year, we will continue to review the setting of reduction target(s).

Environmental, Social and Governance Report

Indicators			Related Sections
A2 : Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7.2 Cherishing our Natural Resources Appendix I: Summary of Sustainable Development Data
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	7.2 Cherishing our Natural Resources Appendix I: Summary of Sustainable Development Data
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	7.2 Cherishing our Natural Resources Appendix I: Summary of Sustainable Development Data
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	In view of the Group's sustainable business, Jingzhou University and Hubei Jiankang Vocational College were added to the reporting scope in the Reporting Period. The current collection of environmental data did not reflect the Group's comprehensive operation. Therefore, no energy use efficiency target(s) has been set in the Reporting Period. In the coming year, we will continue to review the setting of energy use efficiency target(s).
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	7.2 Cherishing our Natural Resources In view of the Group's sustainable business, Jingzhou University and Hubei Jiankang Vocational College were added to the reporting scope in the Reporting Period. The current collection of environmental data did not reflect the Group's comprehensive operation. Therefore, no water efficiency target(s) has been set in the Reporting Period. In the coming year, we will continue to review the setting of water efficiency target(s).
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Group is principally engaged in the educational business, which does not involve in packaging activities used in final products, and thus it's not applicable to the Group's business.

Environmental, Social and Governance Report

Indicators			Related Sections
A3 : The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	7. Advocating Green Campus
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7. Advocating Green Campus
A4 : Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	7.5 Responding to Climate Change
	KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	7.5 Responding to Climate Change
B. Social Area			
B1 : Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	6.1 Compliance Employment Management
	KPI B1.1	Total workforce by gender, employee category (such as full-or part-time), age group and geographical region.	6.1 Compliance Employment Management Appendix I: Summary of Sustainable Development Data
	KPI B1.2	Employees turnover rate by gender, age group and geographical region.	Appendix I: Summary of Sustainable Development Data

Environmental, Social and Governance Report

Indicators			Related Sections
B2 : Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.1 Healthy and Safe Campus
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.1 Healthy and Safe Campus Appendix I: Summary of Sustainable Development Data
	KPI B2.2	Lost days due to work injury.	Appendix I: Summary of Sustainable Development Data
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.1 Healthy and Safe Campus
B3 : Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6.3 Diversified Talent Training Appendix I: Summary of Sustainable Development Data
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	6.3 Diversified Talent Training Appendix I: Summary of Sustainable Development Data
	KPI B3.2	The average training hours completed per employee by gender and employee category.	6.3 Diversified Talent Training Appendix I: Summary of Sustainable Development Data

Environmental, Social and Governance Report

Indicators			Related Sections
B4 : Labour Standards	KPI B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	6.1 Compliance Employment Management
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	6.1 Compliance Employment Management
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	6.1 Compliance Employment Management
B5 : Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.5 Supply Chain Management
	KPI B5.1	Number of suppliers by geographical region.	5.5 Supply Chain Management
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	5.5 Supply Chain Management
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.5 Supply Chain Management
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.5 Supply Chain Management

Environmental, Social and Governance Report

Indicators			Related Sections
B6 : Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4.1 Healthy and Safe Campus 4.2 Teaching Quality Guarantee 5.3 Information Security Assurance
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Group is principally engaged in the educational business, which does not involve in product sales and shipping activities, and thus it's not applicable to the Group's business.
	KPI B6.2	Number of products and service related complaints received and how they are dealt with.	4.2 Teaching Quality Guarantee
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.4 Intellectual Property Protection
	KPI B6.4	Description of quality assurance process and recall procedures.	The Group is principally engaged in the educational business, which does not involve in quality assurance process and recall activities, and thus it's not applicable to the Group's business.
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	5.3 Information Security Assurance
B7: Anti- corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	5.1 Integrity and Compliance Governance
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	5.1 Integrity and Compliance Governance
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	5.1 Integrity and Compliance Governance
	KPI B7.3	Description of anti-corruption training provided to directors and employees.	5.1 Integrity and Compliance Governance

Environmental, Social and Governance Report

Indicators			Related Sections
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	8. Commitment to Social Welfare
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	8. Commitment to Social Welfare
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	8. Commitment to Social Welfare

Independent Auditor's Report



TO THE SHAREHOLDERS OF CHINA CHUNLAI EDUCATION GROUP CO., LTD.

中國春來教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Chunlai Education Group Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 133 to 189, which comprise the consolidated statement of financial position as at 31 August 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board 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 ("HKASs") issued by the Hong Kong Institute of Certified Public Accountants (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.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which mentions that the Group had net current liabilities of approximately RMB1,653,966,000 as at 31 August 2021. This condition indicates a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Independent Auditor's Report

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 year. 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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Recognition of Revenue from Tuition Fees

Refer to note 7 to the consolidated financial statements

Tuition fees from students, in accordance with the programme enrolled, are generally collected in advance at the beginning of the school year. Tuition fees received from students but not earned are initially recorded as contract liabilities, and subsequently recognised as revenue proportionately over the relevant period of the applicable programme. Given revenue from tuition fees is one of the key performance indicators of the Group, we identified it as a key audit matter.

Our audit procedures included, among others:

- Understanding the key controls over the recognition of tuition fees;
- Reconciling the number of students to the relevant official records registered with the education authorities;
- Checking the information about the receipts of tuition fees and student enrollments, on a sample basis, to supporting documents of payments, authorised fee levels, and official student records registered with the education authorities; and
- Performing analytical procedures to test the amount of tuition fees recognised during the year.

We consider that the Group's recognition of revenue from tuition fees is supported by the available evidence.

Independent Auditor's Report

Property, Plant and Equipment and Right-of-use Assets

Refer to note 16 and 18 to the consolidated financial statements

The Group tested the amount of property, plant and equipment and right-of-use assets for impairment. This impairment test is significant to our audit because the balance of property, plant and equipment of approximately RMB2,780,754,000 and right-of-use assets of approximately RMB541,520,000 as at 31 August 2021 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the identification of the related cash generating units;
- Evaluating the Group's impairment assessment;
- Comparing the actual cash flows with the cash flow projections;
- Assessing the reasonableness of the key assumptions (including revenue growth, profit margins, terminal growth rates and discount rates);
- Obtaining and checking to evidence to support the Group's impairment assessment;
- Assessing the competence, independence and integrity of the external valuer engaged by client;
- Obtaining the external valuation report for construction in progress and meeting with the external valuer to discuss and challenge the valuation process, methodologies used and market evidence to support significant judgements and assumptions applied in the valuation model;
- Checking arithmetical accuracy of the valuation model; and
- Checking key assumptions and input data in the valuation model to supporting evidence.

We consider that the Group's impairment test for property, plant and equipment and right-of-use assets are supported by the available evidence.

Independent Auditor's Report

Prepayment for Cooperation Agreements

Refer to notes 19 to the consolidated financial statements

The Group tested the amounts of prepayment for cooperation agreement for impairment. The impairment test is significant to our audit because the balance of prepayment for cooperation agreement of approximately RMB640,056,000 as at 31 August 2021 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Evaluating the Group's impairment assessment;
- Assessing creditworthiness of the debtors and payee of the prepayment for cooperation agreements;
- Assessing the Group's relationship and transaction history with the debtors;
- Assessing the status of the acquisitions of the colleges.

We consider that the Group's impairment test for prepayment for cooperation agreement is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available 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.

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/>

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Li Shun Fai

Audit Engagement Director

Practising Certificate Number P05498

Hong Kong, 30 November 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 August 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	7	1,041,999	702,493
Cost of revenue		(410,560)	(332,916)
Gross profit		631,439	369,577
Other income	8	43,490	39,345
Other gains and losses, net	9	221,886	(26,356)
Selling expenses		(3,600)	(2,594)
Administrative expenses		(187,802)	(139,439)
Profit from operations		705,413	240,533
Finance costs	10	(95,462)	(92,328)
Profit before tax		609,951	148,205
Income tax expense	11	(3,026)	(6,873)
Profit for the year	12	606,925	141,332
Other comprehensive income after tax:			
<i>Items that may be reclassified to profit or loss:</i>			
Fair value loss on debt investment at fair value through other comprehensive income		–	491
Other comprehensive income for the year, net of tax		–	491
Total comprehensive income for the year attributable to owners of the Company		606,925	141,823
Earnings per share	14		
Basic (RMB cents per share)		51	12
Diluted (RMB cents per share)		50	12

Consolidated Statement of Financial Position

As at 31 August 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	16	2,780,754	1,928,004
Right-of-use assets	18	541,520	440,482
Intangible asset	17	188,000	–
Prepayment for cooperation agreements	19	640,056	500,056
Other non-current assets	20	342,625	456,857
		4,492,955	3,325,399
Current assets			
Trade and other receivables	21	161,635	224,101
Amount due from a shareholder	22	7	7
Cash and cash equivalents	23	399,603	204,011
		561,245	428,119
Current liabilities			
Accruals and other payables	24	383,719	412,129
Deferred revenue		3,499	2,874
Contract liabilities	25	219,419	89,092
Lease liabilities	26	–	140
Borrowings	27	1,593,517	1,294,203
Current tax liabilities		15,057	12,031
		2,215,211	1,810,469
Net current liabilities		(1,653,966)	(1,382,350)
Total assets less current liabilities		2,838,989	1,943,049
Non-current liabilities			
Deferred revenue		4,830	2,792
Borrowings	27	774,715	498,808
		779,545	501,600
NET ASSETS		2,059,444	1,441,449

Consolidated Statement of Financial Position

As at 31 August 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Capital and reserves			
Share capital	28	10	10
Reserves		2,059,434	1,441,439
TOTAL EQUITY		2,059,444	1,441,449

The consolidated financial statements on pages 133 to 189 were approved and authorised for issue by the Board of Directors on 30 November 2021 and are signed on its behalf by:

Mr. Hou Junyu
Director

Ms. Jiang Shuqin
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 August 2021

	Share capital <i>RMB'000</i>	Share premium account <i>RMB'000</i>	Statutory reserve <i>RMB'000</i> <i>(note i)</i>	Capital reserve <i>RMB'000</i>	Share-based payment reserve <i>RMB'000</i>	Debt investment revaluation reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 September 2019	10	516,431	211,853	142,600	12,549	(491)	404,411	1,287,363
Total comprehensive income for the year	-	-	-	-	-	491	141,332	141,823
Recognition of equity-settled share-based payments	-	-	-	-	12,263	-	-	12,263
Transfer to statutory reserve	-	-	62,215	-	-	-	(62,215)	-
At 31 August 2020	10	516,431	274,068	142,600	24,812	-	483,528	1,441,449
At 1 September 2020	10	516,431	274,068	142,600	24,812	-	483,528	1,441,449
Total comprehensive income for the year	-	-	-	-	-	-	606,925	606,925
Recognition of equity-settled share-based payments	-	-	-	-	11,070	-	-	11,070
Transfer to statutory reserve	-	-	119,991	-	-	-	(119,991)	-
At 31 August 2021	10	516,431	394,059	142,600	35,882	-	970,462	2,059,444

Note:

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

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

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

Consolidated Statement of Cash Flows

For the Year Ended 31 August 2021

	2021 RMB'000	2020 RMB'000
Cash flows from operating activities		
Profit before tax	609,951	148,205
Adjustments for:		
Depreciation of property, plant and equipment	150,233	113,181
Depreciation of right-of-use assets	10,376	10,070
Equity-settled share-based payments	11,070	12,263
Finance costs	95,462	92,328
Gain on acquisition of Jingzhou College (<i>note 34</i>)	(246,813)	–
Interest income	(4,897)	(4,590)
Loss on redemption of debt investment at fair value through other comprehensive income	–	783
Loss on initial recognition of refund of prepayment for land use rights	–	1,499
Net foreign exchange gain	393	10,136
Waiver of interest receivable from Hubei College	–	4,483
Operating profit before working capital changes	625,775	388,358
Change in trade and other receivables	6,543	(25,728)
Change in accruals and other payables	14,905	7,568
Change in deferred revenue	2,663	(2,929)
Change in contract liabilities	91,712	(358,038)
Cash generated from operations	741,598	9,231
Income tax paid	–	(244)
Net cash generated from operating activities	741,598	8,987
Cash flows from investing activities		
Purchase of property, plant and equipment	(549,731)	(470,048)
Prepayment for investment fund of Hubei College	–	(80,000)
Payment for land use rights	–	(52,979)
Acquisition of Hubei College	5,258	–
Advance to Hubei College	(142,500)	(46,000)
Advance to a third party	(59,148)	(26,509)
Deposits paid for acquisition of property, plant and equipment	–	(5,544)
Advance to Tianping College	(44,350)	(500)
Proceeds from disposal of debt investment at fair value through other comprehensive income	–	110,935
Repayment from Hubei College	98,500	70,000
Repayment from a third party	26,509	45,620
Refund of prepayment for land use right	5,001	5,000
Interest income received	2,485	1,867
Prepayment for cooperation agreements	(240,000)	–
Pledged deposits	–	–
Net cash used in investing activities	(897,976)	(448,158)

Consolidated Statement of Cash Flows

For the Year Ended 31 August 2021

	2021 RMB'000	2020 RMB'000
Cash flows from financing activities		
Proceeds from borrowings	1,173,620	1,273,140
Repayment of borrowings	(747,985)	(1,017,500)
Interest paid	(73,524)	(84,931)
Repayment of lease liabilities	(140)	(1,113)
Lease interests paid	(1)	(33)
Net cash generated from financing activities	351,970	169,563
Net increase/(decrease) in cash and cash equivalents	195,592	(269,608)
Cash and cash equivalents at beginning of year	204,011	473,619
Cash and cash equivalents at end of year	399,603	204,011
Analysis of cash and cash equivalents		
Bank and cash balances	399,603	204,011

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

1. GENERAL INFORMATION

The Company was incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands on 15 November 2017. The address of registered office of the Company is 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. The address of principal place of business of the Company is 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. Its ultimate holding company is Chunlai Investment Co., Limited ("Chunlai Investment"), which was incorporated in the British Virgin Islands, and its ultimate controlling shareholder is Mr. Hou Junyu ("Mr. Hou"). The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 September 2018 (the "Listing").

The Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in the operation of private higher education institutions. The Company, and its subsidiaries and its consolidated affiliated entities are collectively referred to as the "Group".

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

2. GOING CONCERN BASIS

The Group had net current liabilities of approximately RMB1,653,966,000 as at 31 August 2021. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors have been undertaking the following plans and measures to improve the Group's liquidity and financial position:

- (i) the directors have reviewed the Group's cash flow projection prepared by management, which covered a period of not less than twelve months from 31 August 2021. In the opinion of the directors, the Group will have sufficient working capital to meet its financial obligations as and when they fall due and carry on its business without a significant curtailment of operations of not less than twelve months from 31 August 2021;
- (ii) the Group has entered into six loan facility agreements after the reporting period, under which loan facilities up to a maximum amount of approximately RMB1,900,000,000 are available to the Group for not less than twelve months from 31 August 2021;
- (iii) the ultimate controlling shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due; and
- (iv) the Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations.

The directors of the Company are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) that are relevant to its operations and effective for its accounting year beginning on 1 September 2020. IFRSs comprise International Financial Reporting Standards; International Accounting Standards (“IAS”) and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention. The consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors of the Company to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5.

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 August. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, equity investments at fair value through other comprehensive income), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation (Continued)

(c) Translation on consolidation

The results and financial position of all the group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Land and buildings comprise mainly schools and offices. Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	4.75%
Furniture and fixtures	9.5% – 19%
Motor vehicles	19% – 32%
Teaching and electronic equipment	9.5% – 19%

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rate is as follows:

Land use rights	50 years
Buildings	over the lease term of 1 year to 2 years

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$5,000 (approximately equivalent to RMB35,000).

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost

(i) Financial assets at amortised cost

Financial assets (including trade, loan and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and debt investments at fair value through other comprehensive income. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments (Continued)

Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other income

Interest income is recognised on a time-proportion basis using the effective interest method.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as 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 eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

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

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if 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 Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities 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. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and other intangible assets except investments and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of cash-generating units ("CGU") to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or CGU in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATION

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) *Going concern basis*

These consolidated financial statements have been prepared on a going concern basis, the validity of which is explained in note 2 to consolidated financial statements.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

5. CRITICAL JUDGEMENTS AND KEY ESTIMATION (Continued)

Critical judgements in applying accounting policies (Continued)

(b) Contractual arrangements

The Group conducts a substantial portion of the business through Henan Shangqiu Chunlai Education Corporation (“Henan Chunlai”) and its wholly sponsored schools, including Anyang University, Shangqiu University and Shangqiu University Applied Science and Technology College (“Kaifeng Campus”), collectively referred as the “Consolidated Affiliated Entities”, in the PRC due to regulatory restrictions on foreign ownership in the Group’s schools in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities and Henan Chunlai Education Technology Co., Ltd. (“Chunlai Technology”). The management of the Group assessed whether or not the Group has control over the Consolidated Affiliated Entities and Chunlai Technology based on whether the Group has the power over the Consolidated Affiliated Entities and Chunlai Technology, rights to variable returns from its involvement with the Consolidated Affiliated Entities and Chunlai Technology and the ability to affect those returns through its power over the Consolidated Affiliated Entities and Chunlai Technology. After assessment, the management of the Group concluded that the Group has control over the Consolidated Affiliated Entities and Chunlai Technology as a result of the contractual arrangements and other measures and accordingly, the Group has consolidated the financial information of Consolidated Affiliated Entities and Chunlai Technology in its consolidated financial statements throughout the year.

Nevertheless, the contractual arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and Chunlai Technology and uncertainties presented by the PRC legal system could impede the Group’s beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities and Chunlai Technology. The management of the Group, based on the advice of its legal counsel, considers that the contractual arrangements among Henan Chunlai Education Information Consultancy Co., Ltd. (“Chunlai Information”), the Consolidated Affiliated Entities and Chunlai Technology and their sponsor holders or equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

5. CRITICAL JUDGEMENTS AND KEY ESTIMATION (Continued)

Critical judgements in applying accounting policies (Continued)

(c) *Income taxes*

Management judgement is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to EIT as disclosed in note 11. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made.

According to the Implementation Rules for EIT Law, qualified incomes received by non-profit making organisation which engaged in the provision of formal education services are exempted from EIT. According to the relevant provisions of Implementation Rules of the New Law for Promoting Private Education effective from 1 September 2017, private schools for which the school sponsors do not require reasonable returns/schools are elected as to be not-for-profit schools are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns/schools are elected to be not-for-profit schools. However, the detailed Implementation Rules of the New Law for Promoting Private Education have not yet been announced, the relevant guidelines from the provincial government where the schools of the Group are located required the private higher institutions to complete their registration before 2022. Given that Anyang University and Shangqiu University (including Kaifeng Campus) have not yet elected to be for-profit or not-for-profit schools, according to the relevant in-charge tax bureau, the schools could follow previous EIT exemption treatment for the tuition related income.

Key sources of 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 discussed below.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

5. CRITICAL JUDGEMENTS AND KEY ESTIMATION (Continued)

Key sources of estimation uncertainty (Continued)

(a) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

(c) Impairment loss for prepayment for cooperation agreements and trade and other receivables

The Group makes impairment loss based on assessments of the recoverability of its prepayment for cooperation agreements and trade and other receivables, including the current creditworthiness, financial condition and past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment loss requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the prepayment for cooperation agreements and trade and other receivables and impairment loss in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

6. FINANCIAL AND CAPITAL RISK MANAGEMENT

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

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as part of its business transactions, assets and liabilities are denominated in United States dollars and Hong Kong Dollars which are currencies other than the functional currency of the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The following table details the group entities sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the reporting date on a 5% change in foreign currency rates. A positive/negative number below indicates an increase/decrease in profit where RMB weakens/strengthens 5% against the relevant foreign currencies.

	2021 RMB'000	2020 RMB'000
HK\$	4,490	5,189
USD	14,248	17,449

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

6. FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(b) Interest rate risk

The Group's certain bank deposits and borrowings bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

The Group's exposure to interest-rate risk arises from its bank deposits and borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

At 31 August 2021, if interest rates at that date had been 100 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been RMB711,000 (2020: RMB2,941,000) higher, arising mainly as a result of lower interest expense on borrowings. If interest rates had been 100 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been RMB3,484,000 (2020: RMB1,360,000) lower, arising mainly as a result of higher interest expense on borrowings.

(c) Credit risk

The carrying amount of the trade and other receivables, deposits, and bank balances included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank balances and investments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

6. FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

- internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrower.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 180 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group normally categorises a receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

6. FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

All of these receivables are considered to have low risk and under the “Performing” category because they have a low risk of default and have strong ability to meet their obligations.

(d) Liquidity risk

The Group’s policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group’s financial liabilities is as follows:

	On demand or less than 1 year RMB'000	1 – 2 years RMB'000	2 – 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 August 2021					
Accruals and other payables	371,958	–	–	371,958	371,958
Borrowings	1,610,481	578,362	275,872	2,464,715	2,368,232
	1,982,439	578,362	275,872	2,836,673	2,740,190
	On demand or less than 1 year RMB'000	1 – 2 years RMB'000	2 – 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 August 2020					
Accruals and other payables	401,594	–	–	401,594	401,594
Borrowings	1,299,959	66,442	488,201	1,854,602	1,793,011
	1,701,553	66,442	488,201	2,256,196	2,194,605

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

6. FINANCIAL AND CAPITAL RISK MANAGEMENT (Continued)**(e) Categories of financial instruments at 31 August**

	2021 RMB'000	2020 RMB'000
Financial assets		
Financial assets at amortised cost (including cash and cash equivalents)	879,265	768,108
Financial liabilities		
Financial liabilities at amortised cost	2,740,190	2,194,605

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

(g) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes borrowings and amounts due to related parties, and equity attributable to owners of the Company, which includes share capital and reserves.

The Group's management reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, issuance of new shares as well as raising of borrowings, if necessary.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

7. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the operation of private higher education institutions in the People's Republic of China ("PRC"). Revenue represents tuition and boarding fees from education institutions less sales related tax.

Information reported to the Group's chief operating decision maker ("CODM"), Mr. Hou, for the purpose of resource allocation and assessment of segment performance is on a school by school basis. Each individual school constitutes an operating segment. The services provided and type of customers are similar in each operating segment, and each operating segment are subject to similar regulatory environment. Accordingly, their segment information is aggregated as a single reportable segment which is the same as the consolidated statement of profit or loss and other comprehensive income. The accounting policies of the reportable segment are the same as the Group's accounting policies described in note 4.

	2021 RMB'000	2020 RMB'000
Tuition fees	942,334	668,082
Boarding fees	99,665	34,411
Total revenue	1,041,999	702,493

All revenue is recognised over time. The Group primarily operates in the PRC. All of the Group's revenue was generated in the PRC and all of the Group's non-current assets are located in the PRC.

No single customer contributes 10% or more of total revenue of the Group during the year ended 31 August 2021 (2020: nil).

Revenue is recognised over the relevant period of schooling semesters, i.e. over the period of time when the students simultaneously receive and consume the benefits provided by the Group.

Tuition and boarding fees are generally received in advance prior to the beginning of each school year, and are initially recorded as contract liabilities. The fees are recognised proportionately over the relevant period of the applicable programme. The portion of the fees received from students but not earned is recorded as contract liabilities under current liabilities as such amounts represent revenue that the Group expects to earn within one year.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

8. OTHER INCOME

	2021 RMB'000	2020 RMB'000
Government grants (<i>note i</i>)	314	2,964
Interest income	4,897	4,590
Service income	14,623	14,623
Consultancy income from Hubei College (<i>note ii</i>)	12,205	16,038
Others	11,451	1,130
	43,490	39,345

Notes:

- (i) Government grants mainly represent unconditional subsidies from government for recognition of the relevant academic performance of the schools of the Group.
- (ii) It represents the provision of technical and management consultancy services to Jingzhou College (formerly known as Hubei College).

9. OTHER GAINS AND LOSSES, NET

	2021 RMB'000	2020 RMB'000
Gain on acquisition of Jingzhou College (<i>note 34</i>)	246,813	–
Net foreign exchange loss	(24,927)	(19,591)
Loss on initial recognition of refund of prepayment for land use rights	–	(1,499)
Waiver of interest receivable from Hubei College	–	(4,483)
Loss on redemption of debt investment at fair value through other comprehensive income	–	(783)
	221,886	(26,356)

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

10. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest expenses in relation to:		
– Bank borrowings	73,757	55,101
– Borrowings from non-banking institutes	33,472	40,314
– Lease liabilities	1	33
	107,230	95,448
Less: capitalised in construction in progress	(11,768)	(3,120)
	95,462	92,328

Borrowing costs on funds borrowed generally are capitalised at a rate of 6.3% per annum in 2021 (2020: 6.2%).

11. INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
Current tax – PRC Enterprise Income Tax	3,026	6,873

Reconciliation between income tax expense and accounting profit at applicable tax rate

	2021 RMB'000	2020 RMB'000
Profit before tax	609,951	148,205
Tax calculated at applicable tax rate of 25% (2020: 25%)	152,488	37,051
Tax effect of tax losses not recognised	18,833	15,078
Tax effect of expenses not deductible/income not taxable for tax purpose	(50,279)	12,607
Tax effect of profit from non-profit making organisation exempted for tax purpose	(118,016)	(57,863)
Income tax expense	3,026	6,873

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

11. INCOME TAX EXPENSE (Continued)

The Company was incorporated in the Cayman Islands while Chunlai BVI was incorporated in the BVI, both jurisdictions are tax exempted.

No provision for Hong Kong profits tax was provided as the Group did not have assessable profits arising in Hong Kong during the year ended 31 August 2021 (2020: nil).

EIT is provided on taxable profits of entities established in the PRC. Pursuant to the Enterprise Income Tax Law of the PRC (the "EIT Law"), the EIT rate was 25% during the year ended 31 August 2021 (2020: 25%).

Shangqiu University, Anyang University and Shangqiu University Kaifeng Campus, Hubei Jiankang Vocational College and Jingzhou College enjoyed tax exemption for tuition related income.

At the end of the reporting period the Group has unused tax losses of RMB135,626,000 (2020: RMB60,311,000) available for offset against future profits. No deferred tax asset has been recognised (2020: RMB nil) due to the unpredictability of future profit streams. All unrecognised tax losses of RMB135,626,000 (2020: RMB60,311,000) will expire in 2026 (2020: 2025).

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is RMB2,010,461,000 (2020: RMB1,652,948,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

12. PROFIT FOR THE YEAR

This is stated at after charging the following:

	2021 RMB'000	2020 RMB'000
Auditor's remuneration	1,601	2,077
Depreciation of property, plant and equipment	150,233	113,181
Depreciation of right-of-use assets	10,376	10,070
Staff costs (including directors' remuneration):		
– Salaries, bonuses and allowances	200,681	189,412
– Retirement benefit scheme contributions	22,622	15,642
– Equity-settled share-based payments	11,070	12,263
	234,373	217,317

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND BENEFITS

	2021 RMB'000	2020 RMB'000
Fee, salaries and allowances	5,959	3,678
Retirement benefit scheme contributions	22	19
Equity-settled share-based payments	6,826	7,566
	12,807	11,263

Details of the emoluments paid or payable by the entities comprising the Group to the directors and chief executives of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company) for the year are as follows:

(a) The emoluments of each director are as follows:

	2021				
	Fees RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Non-executive director					
Mr. Hou Chunlai (<i>Chairman</i>)	-	962	-	2,482	3,444
Mr. Hao Xiaohui (<i>note a</i>)	393	-	-	-	393
Executive directors					
Mr. Hou (<i>note b</i>)	-	1,032	22	1,862	2,916
Ms. Jiang Shuqin	-	834	-	2,482	3,316
Ms. Zhang Jie (<i>note b, c</i>)	-	1,643	-	-	1,643
Independent non-executive directors					
Dr. Jin Xiaobin	337	-	-	-	337
Ms. Fok Pui Ming Joanna	337	-	-	-	337
Mr. Lau Tsz Man	421	-	-	-	421
Total	1,488	4,471	22	6,826	12,807

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND BENEFITS (Continued)**(a) The emoluments of each director are as follows:** (Continued)

	2020				
	Fees <i>RMB'000</i>	Salaries and allowances <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Equity-settled share-based payments <i>RMB'000</i>	Total <i>RMB'000</i>
Chairman and non-executive director					
Mr. Hou Chunlai	–	960	–	2,751	3,711
Executive directors					
Mr. Hou	–	1,035	19	2,064	3,118
Ms. Jiang Shuqin	–	822	–	2,751	3,573
Independent non-executive directors					
Dr. Jin Xiaobin	277	–	–	–	277
Ms. Fok Pui Ming Joanna	277	–	–	–	277
Mr. Lau Tsz Man	307	–	–	–	307
Total	861	2,817	19	7,566	11,263

Note:

- (a) Mr. Hao Xiaohui was appointed as a non-executive director and the vice chairman of the board on 25 September 2020 and resigned as a non-executive director and vice chairman of the board on 8 February 2021.
- (b) Mr. Hou has relinquished his role as the chief executive officer of the Company, and Ms. Zhang Jie has been appointed as the chief executive officer of the Company in place of Mr. Hou on 25 September 2020.
- (c) Ms. Zhang Jie was appointed as an executive director on 25 September 2020.

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included four (2020: four) directors whose emoluments are set out in note (a) above. The emoluments of the remaining one (2020: one) individuals are set out below:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Salaries and other benefits	500	500
Equity-settled share-based payments	621	688
	1,121	1,188

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS AND BENEFITS (Continued)

(b) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	2021	2020
HK\$1,000,000-HK\$1,500,000	1	1

During the year ended 31 August 2021, no emoluments were paid by the Group to the directors of the Company or five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2020: nil). Neither the chief executive nor any of the directors of the Company waived any emoluments during the year ended 31 August 2021 (2020: nil).

14. EARNINGS PER SHARE

	2021	2020
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share (Profit attributable to owners of the Company) (in RMB'000)	606,925	141,332
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	1,200,000,000	1,200,000,000
Effect of dilutive potential ordinary shares:		
Pre-IPO share options	16,654,734	9,470,031
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	1,216,654,734	1,209,470,031

The computation of diluted earnings per share assumes the exercise of the Company's share options granted under the Pre-IPO Option Scheme as defined in note 29 as the potential ordinary shares are dilutive for the year ended 31 August 2021.

15. DIVIDENDS

The directors of the Company do not recommend or declare the payment of any dividend in respect of the years ended 31 August 2021 and 2020.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Teaching and electronic equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost						
1 September 2019	996,589	114,790	15,718	203,463	501,219	1,831,779
Additions	109,495	39,147	2,731	157,187	341,627	650,187
Transfer from construction in progress	591,763	6,212	–	5,112	(603,087)	–
At 31 August 2020 and 1 September 2020	1,697,847	160,149	18,449	365,762	239,759	2,481,966
Additions	24,810	31,276	–	88,076	283,554	427,716
Acquisition of a subsidiary	272,539	8,557	27	39,464	254,680	575,267
Transfer from construction in progress	505,247	732	–	700	(506,679)	–
At 31 August 2021	2,500,443	200,714	18,476	494,002	271,314	3,484,949
Accumulated depreciation						
1 September 2019	260,423	61,972	8,746	109,640	–	440,781
Charge for the year	70,550	13,673	1,596	27,362	–	113,181
At 31 August 2020 and 1 September 2020	330,973	75,645	10,342	137,002	–	553,962
Charge for the year	87,416	21,735	982	40,100	–	150,233
At 31 August 2021	418,389	97,380	11,324	177,102	–	704,195
Carrying amount						
At 31 August 2021	2,082,054	103,334	7,152	316,900	271,314	2,780,754
At 31 August 2020	1,366,874	84,504	8,107	228,760	239,759	1,928,004

As of 31 August 2021, the Group was in the process of obtaining the property certificates for the buildings with an aggregate carrying value of approximately RMB1,648,016,000 (2020: RMB1,300,120,000) which are located in the PRC.

At 31 August 2021, the carrying amount of property, plant and equipment pledged as security for the Group's other loans amounted to RMB232,430,000 (2020: RMB43,653,000).

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

17. INTANGIBLE ASSET

	School operation right <i>RMB'000</i>
Cost:	
At 1 September 2020	–
Acquisition of a subsidiary	188,000
At 31 August 2021	188,000

As at 31 August 2021, intangible asset represent a school operation right of Jingzhou College. The school operation right is stated at cost and not amortised while its useful life is assessed to be indefinite.

The recoverable amount of the intangible asset of RMB188,000,000 has been determined on the basis of value in use using discounted cash flow method (level 3 fair value measurements). The discount rate used was 15%. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 2%. This rate does not exceed the average long-term growth rate for the relevant markets.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

18. LEASES AND RIGHT-OF-USE ASSETS

	2021 RMB'000	2020 RMB'000
At 31 August:		
Right-of-use assets		
– Land use rights	541,520	440,345
– Buildings	–	137
	541,520	440,482
The maturity analysis, based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	–	141
Depreciation charge of right-of-use assets		
– Land use rights	10,239	8,950
– Buildings	137	1,120
	10,376	10,070
Lease interests	1	33
Expenses related to short-term leases	5,843	–
Total cash outflow for leases	(141)	(1,146)
Additions to right-of-use assets	–	94,784

The Group leases various land use rights and buildings.

The land use rights are depreciated on a straight-line basis over a period of 50 years, which is based on the lease terms or estimated by the management with reference to the normal terms in the PRC.

As of 31 August 2021, the Group was in the process of obtaining the land certificates for the land use rights with an aggregate carrying value of approximately RMB118,669,000 (2020: RMB120,635,000) which are located in the PRC.

During the year ended 31 August 2020, lease agreements of the buildings were typically made for fixed periods of 1 to 2 years. Lease terms were negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements did not impose any covenants and the leased assets might not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

19. PREPAYMENT FOR COOPERATION AGREEMENTS

	2021 RMB'000	2020 RMB'000
Prepayment for cooperation agreements – Jingzhou College (<i>note i</i>)	–	100,000
Prepayment for cooperation agreements – Tianping College (<i>note ii</i>)	640,056	400,056
	640,056	500,056

Notes:

- (i) Hubei College is an independent college and originally established by “Yangtze University” 長江大學 (“YU”) in Hubei Province. In December 2014, the Group entered into a cooperation agreement and supplementary agreements. Pursuant to these agreements, the Group has obtained the right to manage Hubei College at a consideration of RMB120 million, among which RMB100 million has been paid upon entering the agreements in December 2014. These agreements have also authorised the Group the right to transfer the sponsorship of Hubei College from YU.

The conversion of Hubei College into a private ordinary college (the “Conversion”); and (ii) the change of school sponsor of Hubei College to Hubei Chunlai Education Technology Co., Ltd, a wholly-owned subsidiary of the Company, (the “Change of School Sponsor”) have been completed on 31 May 2021. Following the completion of the Conversion and the Change of School Sponsor, Hubei College has been renamed as Jingzhou College and the results of operations of Jingzhou College has been consolidated into the Group since 31 May 2021.

- (ii) Tianping College of Suzhou University of Science and Technology (“Tianping College”) is an independent college and originally sponsored by Suzhou University of Science and Technology and the Foundation in Jiangsu Province. In August 2019, the Group entered into an agreement which authorised the Group the right to transfer the sponsorship of Tianping College from Suzhou University of Science and Technology and the Suzhou University of Science and Technology Education Development Foundation (the “Foundation”) at a consideration of approximately RMB800 million, among which approximately RMB640,056,000 (2020: RMB400,056,000) has been paid as at 31 August 2021. Up to the date of issuance of the report, the transfer of sponsorship has not yet been completed as the transfer is still in preparatory period. Upon the completion of transfer, the down payment for the agreement of RMB640,056,000 (2020: RMB400,056,000) will be treated as part of the consideration of the acquisition.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

20. OTHER NON-CURRENT ASSETS

	2021 RMB'000	2020 RMB'000
Prepayments/deposits paid for acquisition of property, plant and equipment	16,329	35,738
Prepayment for investment fund of Hubei College	–	80,000
Refund of prepayment for land use rights	–	14,430
Pledged deposit (<i>note i</i>)	276,296	276,689
Deposit paid (<i>note ii</i>)	50,000	50,000
	342,625	456,857

Notes:

- (i) Offshore foreign deposit of USD40,000,000 (equivalent to RMB260,106,000) is treated as a security to borrow an equivalent onshore loan denominated in RMB in the PRC from a third party. During the year, the repayment date of the onshore loan was extended to July 2023. The offshore foreign deposit was reclassified as non-current asset accordingly as at 31 August 2021.

Pledged deposits of RMB16,190,000 are secured for borrowings of RMB484,853,000.

- (ii) Deposit paid of RMB50,000,000 represents the refundable security deposit paid to Suzhou University of Science and Technology.

To guarantee that the Group will safeguard the school facilities and reputation of Suzhou University of Science and Technology and that the Group will operate the Tianping College properly, the Group paid RMB50 million as security deposit and provided a guarantee of RMB150 million (the "Guarantee") to Suzhou University of Science and Technology. The Guarantee is provided by a financial institution and counter guaranteed by Mr. Hou.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

21. TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Tuition and boarding fee receivables (<i>note i</i>)	13,920	5,691
Service income receivables	26,870	25,000
Consultancy income receivables from Hubei College	–	13,250
Advance to a third party (<i>note ii</i>)	59,148	26,509
Advance to Tianping College (<i>note iii</i>)	–	500
Advance to Hubei College (<i>note iv</i>)	–	105,900
Refund of prepayment for land use right	38,643	27,714
Other receivables	13,096	17,637
Interest receivables	1,682	770
Prepaid expenses	8,276	1,130
	161,635	224,101

Notes:

- (i) The students are required to pay tuition and boarding fees in advance for the upcoming school years, which normally commences in August and September. The outstanding receivables mainly represent amounts related to the registered students who have applied for the delayed payment of tuition fees and boarding fees. These delay payments were primarily due to the application of students' loan, which generally take a few months to be settled from governmental institutions. There is no fixed credit term for payments. The Group's tuition receivables were due to a large number of individual students, there is no significant concentration of credit risk and no impairment is considered necessary based on the historical settlement pattern from students. The Group does not hold any collateral or other credit enhancement over its tuition receivables balance.
- (ii) As at 31 August 2021, the advance with principal amount of HK\$70,000,000 (2020: HK\$30,000,000) is unsecured, interest bearing at 4% per annum and repayable in December 2021 (2020: December 2020).
Subsequent to the reporting period, advance to third parties of HK\$70,000,000 was fully settled.
- (iii) As at 31 August 2020, the advance to Tianping College was unsecured, non-interest bearing and repayable on 31 August 2021.
- (iv) As at 31 August 2020, the advance to Hubei College was unsecured, non-interest bearing and repayable on 30 August 2021.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

21. TRADE AND OTHER RECEIVABLES (Continued)

An ageing analysis of tuition and boarding fee receivables as at the end of the reporting period, based on the transaction date, is as follows:

	2021 RMB'000	2020 RMB'000
181-365 days	10,829	5,691
Over 1 year	3,091	–
	13,920	5,691

The Group applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all tuition and boarding fee receivables. To measure the expected credit losses, tuition and boarding fee receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	181-365 days	Over 1 year	Total
At 31 August 2021			
Weighted average expected loss rate	0%	0%	0%
Receivable amount (RMB'000)	10,829	3,091	13,920
Loss allowance (RMB'000)	–	–	–
At 31 August 2020			
Weighted average expected loss rate	0%	0%	0%
Receivable amount (RMB'000)	5,691	–	5,691
Loss allowance (RMB'000)	–	–	–

22. AMOUNT DUE FROM A SHAREHOLDER

The amount due from a shareholder of the Company is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

23. CASH AND CASH EQUIVALENTS

Bank balances and cash comprise cash and short-term deposits held by the Group with an original maturity of three months or less.

As at 31 August 2021, the cash and cash equivalents of the Group denominated in Renminbi (“RMB”) amounted to RMB297,423,000 (2020: RMB58,460,000). Conversion of RMB into foreign currencies is subject to the PRC’s Foreign Exchange Control Regulations.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

24. ACCRUALS AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Interest payables	3,194	2,151
Accrued staff benefits and payroll	42,041	29,990
Payables for purchase of property, plant and equipment and construction	212,767	274,618
Receipt on behalf of ancillary services providers	18,542	8,313
Advance from Tianping College (<i>note i</i>)	5,150	50,000
Other payables, accruals and deposits received	70,264	36,522
Consideration payable for acquisition of Jingzhou College	20,000	–
Other taxes payables	11,761	10,535
	383,719	412,129

Note:

- (i) The amount advanced from Tianping College is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

25. CONTRACT LIABILITIES

	As at 31 August 2021 RMB'000	As at 31 August 2020 RMB'000	As at 1 September 2019 RMB'000
Contract liabilities – tuition and boarding fees	219,419	89,092	447,130

	2021 RMB'000	2020 RMB'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	89,092	447,130

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

	2021 RMB'000	2020 RMB'000
2021	–	89,092
2022	219,419	–
	219,419	89,092

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

25. CONTRACT LIABILITIES (Continued)

Significant changes in contract liabilities during the year:

	2021 RMB'000	2020 RMB'000
Increase due to operations in the year	1,133,711	344,455
Increase due to acquisition of a subsidiary	38,615	–
Transfer of contract liabilities to revenue	(1,041,999)	(702,493)

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

26. LEASE LIABILITIES

	Lease payments 2020 RMB'000	Present value of lease payments 2020 RMB'000
Within one year	141	140
Less: Future finance charges	141 (1)	140 –
Present value of lease obligations	140	140
Less: Amount due for settlement within 12 months (shown under current liabilities)	–	(140)
Amount due for settlement after 12 months	–	–

At 31 August 2020, the average effective borrowing rate was 5%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

27. BORROWINGS

	2021 RMB'000	2020 RMB'000
Unsecured and unguaranteed	–	3,824
Secured and guaranteed (note i)	1,643,735	1,182,545
Secured and unguaranteed (note ii)	289,497	282,642
Unsecured and guaranteed (note iii)	435,000	324,000
	2,368,232	1,793,011
The borrowings are repayable as follows:		
On demand or within one year	1,593,517	1,294,203
In the second year	543,335	60,630
In the third to fifth years, inclusive	231,380	438,178
	2,368,232	1,793,011
Less: Amount due for settlement within 12 months (shown under current liabilities)	(1,593,517)	(1,294,203)
Amount due for settlement after 12 months	774,715	498,808
The exposure of borrowings		
– Fixed rate	2,318,232	1,453,011
– Variable rate	50,000	340,000
	2,368,232	1,793,011

Notes:

- (i) Certain bank borrowings of RMB966,000,000 (2020: RMB930,000,000) were secured and/or guaranteed by the followings:
- (a) secured by the rights to receive the tuition fees of Anyang University, Shangqiu University and Kaifeng Campus (collectively the "Schools");
 - (b) secured by equity share of Shangqiu University and Kaifeng Campus;
 - (c) guaranteed by Mr. Hou Chunlai, Mr. Hou and Ms. Jiang Shuqin jointly and severally; and
 - (d) guaranteed by several subsidiaries of the Company.
 - (e) secured by deposits of RMB16,190,000.
- As at 31 August 2021, the Schools has receivables of tuition fees of RMB9,563,000 (2020: RMB5,691,000).
- Certain borrowing with carrying amount of RMB677,735,000 (2020: RMB252,545,000) is secured by the Group's plant and equipment of RMB310,671,000 (2020: RMB43,653,000) and guaranteed by Mr. Hou and Ms. Jiang Shuqin.
- (ii) A loan from a third party with carrying amount of RMB289,497,000 (2020: RMB282,642,000) is secured by a deposit of USD40,000,000 (equivalent to approximately RMB276,689,000) (note 20).
- (iii) Certain bank borrowing were unsecured and guaranteed by Mr. Hou Chunlai, Mr. Hou and Ms. Jiang Shuqin jointly and severally and guaranteed by a subsidiary of the Company.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

27. BORROWINGS (Continued)

All borrowings are denominated in RMB. The variable-rate borrowings carry interest with reference to the benchmark borrowing rate of the People's Bank of China.

The range of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's borrowings is as follows:

	2021	2020
Effective interest rate:		
Fixed-rate	2.5% – 7.6%	2.5% – 7.6%
Variable-rate	5.7% – 6.525%	4.4% – 6.5%

28. SHARE CAPITAL

	Number of shares	Amount <i>HK\$</i>	Amount <i>RMB</i>	Amount <i>RMB'000</i>
Ordinary shares of HK\$0.00001 each				
Authorised:				
As at 1 September 2019, 31 August 2020, 1 September 2020 and 31 August 2021	50,000,000,000	500,000	424,570	425
Issued and fully paid:				
As at 1 September 2019, 31 August 2020, 1 September 2020 and 31 August 2021	1,200,000,000	12,000	9,867	10

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

29. SHARE-BASED PAYMENTS

Pursuant to written resolution passed on 9 August 2018, the Company adopted a share option scheme (“Pre-IPO Share Option Scheme”), details of which are set out in “Report of the Directors – Pre-IPO Share Option Scheme” to the annual report.

Details of specific categories of Pre-IPO Share Options are as follows:

Tranche	Date of grant	Number of shares	Vesting period	Exercise period	Exercise price HK\$
A	9 August 2018	10,465,000	9 August 2018 – 9 August 2021	10 August 2021 – 9 August 2038	0.00001
B	9 August 2018	7,350,000	9 August 2018 – 9 August 2023	10 August 2023 – 9 August 2038	0.00001
C	9 August 2018	7,190,000	9 August 2018 – 9 August 2025	10 August 2025 – 9 August 2038	0.00001
D	9 August 2018	10,945,000	9 August 2018 – 9 August 2028	10 August 2028 – 9 August 2038	0.00001

The following table discloses movements of number of share options under the Company’s Pre-IPO Share Option Scheme held by the directors of the Company and employees during the year:

	Balances as at 1 September 2019, 31 August 2020, 1 September 2020, and 31 August 2021
Directors	
Mr. Hou Chunlai	8,000,000
Mr. Hou	6,000,000
Ms. Jiang Shuqin	8,000,000
Directors in aggregate	22,000,000
Employees in aggregate	13,950,000
Total	35,950,000
Exercisable at 31 August 2021	10,465,000
Exercise price (HK\$)	0.00001

The options outstanding at the end of the year have a weighted average remaining contractual life of 17 years (2020: 18 years) and the exercise prices were HK\$0.00001 (2020: HK\$0.00001). The share options were granted on 9 August 2018. The estimated fair value of each option on that date is RMB1.66.

The Group recognised share-based compensation expense of approximately RMB11,070,000 for the year ended 31 August 2021 (2020: RMB12,263,000).

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

30. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 August 2021 and 2020.

31. COMMITMENTS**(a) Capital commitments**

	2021 RMB'000	2020 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	1,266	170,336
Capital expenditure in respect of land use right	11,460	11,460
Capital expenditure in respect of acquisition of Hubei College (<i>note 19</i>)	–	20,000
Capital expenditure in respect of capital contribution to Tianping College	30,000	30,000
Capital expenditure in respect of acquisition of Tianping College (<i>note 19</i>)	160,056	400,056
	202,782	631,852

32. RETIREMENT BENEFIT SCHEME

During the year, the employees of the PRC subsidiaries are members of the state-management retirement benefit scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contribution under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the year are disclosed in note 12.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

33. RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with its related parties during the year:

	2021 RMB'000	2020 RMB'000
Acquisition of property, plant and equipment and land use rights from Hubei College (<i>note ii</i>)	–	150,000
Consultancy income from Hubei College (<i>note ii</i>)	12,205	16,038
Waiver of interest receivable of Hubei College (<i>note ii</i>)	–	4,483
The balances with related parties at the end of the reporting period are as follows:		
Advance to Hubei College (<i>note ii</i>)	–	105,900
Advance to Tianping College (<i>note iii</i>)	–	500
Advance from Tianping College (<i>note iii</i>)	5,150	50,000

Notes:

- (i) As at 31 August 2020, the Group had provided financial guarantees for banking facilities of RMB70,000,000 granted to Hubei College. The bank loan of Hubei College with carrying amount of RMB50,000,000 was guaranteed by the Group as at 31 August 2020.
- (ii) Mr. Hou is the director and ultimate controlling shareholder of the Company and director of Hubei College.
- (iii) Mr. Hou is the director and ultimate controlling shareholder of the Company and director of Tianping College.

(b) Compensation of key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and all the highest paid employees, is disclosed in note 13.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**(a) Acquisition of a subsidiary**

The conversion of Hubei College into a private ordinary college (the "Conversion"); and (ii) the change of school sponsor of Hubei College to Hubei Chunlai Education Technology Co., Ltd, a wholly-owned subsidiary of the Company, (the "Change of School Sponsor") have been completed on 31 May 2021. Following the completion of the Conversion and the Change of School Sponsor, Hubei College has been renamed as Jingzhou College and the results of operations of Jingzhou College has been consolidated into the Group since 31 May 2021.

The fair value of the identifiable assets and liabilities of Jingzhou College acquired as at its date of acquisition is as follows:

Net assets acquired:

	<i>RMB'000</i>
Property, plant and equipment	575,267
Right-of-use assets	111,414
Intangible assets	188,000
Other non-current assets	4,665
Trade and other receivables	19,247
Cash and cash equivalents	5,258
Accruals and other payables	(139,158)
Amount due to the Group	(239,326)
Contract liabilities	(38,615)
Borrowings	(119,939)
Net assets acquired	366,813
Gain on acquisition of Jingzhou College (<i>note 34</i>)	246,813
Total consideration	120,000
Satisfied by: Cash	120,000
Consideration paid as follows:	
Paid in previous years (<i>note 19</i>)	100,000
Consideration payables (<i>note 24</i>)	20,000
	120,000
Net cash outflow arising on acquisition:	
Cash and cash equivalents acquired	5,258

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(a) Acquisition of a subsidiary (Continued)

The Group recognised a gain on bargain purchase of RMB246,813,000 in the business combination. The gain is included in other gains and losses.

In December 2014 (the "Agreement Date"), the Group entered into a cooperation agreement with Yangtze University with respect to acquisition of Jingzhou College at a consideration of RMB120 million. Since the Agreement Date, Jingzhou College has been profit making and expanded the operation scale. The increase in fair value of Jingzhou College represented the upward adjustment on assets, in particular, of the new campus through out these years. As such, business combination resulted in a gain on bargain purchase as the fair value of Jingzhou College increased accordingly after the Agreement Date.

Jingzhou College contributed approximately RMB37,632,000 and RMB12,183,000 to the Group's revenue and profit for the year respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 September 2020, total Group revenue for the year would have been RMB1,154,800,000, and profit for the year would have been RMB631,911,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 September 2020, nor is intended to be a projection of future results.

(b) Major non-cash transaction

- (i) On 31 August 2021, Tianping College, Shanghai Chunjing Investment Management Co., Ltd. ("Chunjing"), an indirectly wholly-owned subsidiary of the Company, and the Company, entered into a settlement agreement, pursuant to which the amount due from the Company to Tianping College of RMB50,000,000 are off-set with the amount due from Tianping College to the Company and Chunjing of RMB500,000 and RMB49,350,000 respectively. After such off-set, the amount due from the Group to Tianping College amounted to RMB150,000.
- (ii) During the year ended 31 August 2020, Tianping College paid security deposit of RMB50 million to Suzhou University of Science and Technology on behalf of the Group (note 20).

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For the Year Ended 31 August 2021

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)**(c) Changes in liabilities arising from financing activities**

The following table shows the Group's changes in liabilities arising from financing activities during the year:

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Interest payables RMB'000	Borrowings RMB'000	Lease liabilities RMB'000	Total liabilities from financing activities RMB'000
At 1 September 2019	8,927	1,520,111	–	1,529,038
Changes in cash flows	(84,931)	255,640	(1,146)	169,563
Non-cash changes				
– IFRS 16 adjustments	–	–	1,269	1,269
– interest charged	78,155	17,260	33	95,448
– exchange differences	–	–	(16)	(16)
At 31 August 2020 and 1 September 2020	2,151	1,793,011	140	1,795,302
Changes in cash flows	(73,524)	425,635	(141)	351,970
Non-cash changes				
– interest charged	73,758	33,471	1	107,230
– acquisition of a subsidiary	809	119,939	–	120,748
– elimination of borrowings upon acquisition of a subsidiary	–	(3,824)	–	(3,824)
At 31 August 2021	3,194	2,368,232	–	2,371,426

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY**(a) Statement of financial position of the Company**

	2021 RMB'000	2020 RMB'000
Non-current assets		
Investment in a subsidiary (<i>note</i>)	–	–
Property, plant and equipment	633	763
Right-of-use assets	–	137
Other non-current assets	260,106	276,689
	260,739	277,589
Current assets		
Prepayments and other receivables	67,423	34,078
Amount due from a shareholder	7	7
Amount due from subsidiaries	66,462	27,660
Bank balances	45,812	139,086
	179,704	200,831
Current liabilities		
Amounts due to subsidiaries	12,656	12,655
Accrued expenses	1,577	3,202
Lease liabilities	–	140
	14,233	15,997
Net current assets	165,471	184,834
NET ASSETS	426,210	462,423
Capital and reserves		
Share capital	10	10
Reserves	426,200	462,413
TOTAL EQUITY	426,210	462,423

Note: The investment in a subsidiary is USD1.

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)**(b) Reserves of the Company**

	Share premium <i>RMB'000</i>	Share-based payment reserve <i>RMB'000</i>	Debt investment revaluation reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 September 2019	516,431	12,549	(491)	(27,632)	500,857
Loss and total comprehensive loss for the year	–	–	491	(51,198)	(50,707)
Recognition of equity-settled share-based payments	–	12,263	–	–	12,263
At 31 August 2020	516,431	24,812	–	(78,830)	462,413
At 1 September 2020	516,431	24,812	–	(78,830)	462,413
Loss and total comprehensive loss for the year	–	–	–	(47,283)	(47,283)
Recognition of equity-settled share-based payments	–	11,070	–	–	11,070
At 31 August 2021	516,431	35,882	–	(126,113)	426,200

Notes to the Consolidated Financial Statements

For the Year Ended 31 August 2021

36. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY

Name of the subsidiary	Date and place of incorporation/ establishment	Paid up capital	Equity interest attributable to the Company at 31 August		Principal activity
			2021	2020	
<i>Directly owned:</i>					
Chunlai BVI	28 November 2017 BVI	USD1	100%	100%	Investment holding
<i>Indirectly owned:</i>					
Chunlai Hong Kong	19 December 2017 Hong Kong	HK\$1	100%	100%	Investment holding
Henan Chunlai (note i)	11 April 2002 The PRC	RMB113,740,000	100%	100%	Investment holding
Chunlai Information (note ii)	19 January 2018 The PRC	USD1,000,000	100%	100%	Rendering of education services
Chunlai Technology (note i)	1 August 2017 The PRC	RMB30,000,000	100%	100%	Investment holding
Shangqiu University (note i)	21 June 2004 The PRC	RMB80,322,912	100%	100%	Rendering of education services
Anyang University (note i)	27 November 2008 The PRC	RMB80,000,000	100%	100%	Rendering of education services
Kaifeng Campus (note i)	16 May 2013 The PRC	RMB89,005,477	100%	100%	Rendering of education services
湖北春來教育科技有限公司 (note i)	11 July 2018 The PRC	RMB200,000,000	100%	100%	Investment holding
上海春景投資管理有限責任公司 (note i)	31 July 2015 The PRC	RMB200,000,000	100%	100%	Investment holding
湖北健康職業學院 (note i)	8 April 2020 The PRC	RMB30,000,000	100%	100%	Rendering of education services
蘇州春來教育科技有限公司 (note i)	12 December 2020 The PRC	RMB50,000,000	100%	100%	Investment holding
Jingzhou College (note ii)	31 May 2021 The PRC	RMB80,000,000	100%	–	Rendering of education services

Notes to the Consolidated Financial Statements

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36. PARTICULARS OF THE SUBSIDIARIES OF THE COMPANY (Continued)

Notes:

- (i) These entities are owned through Structured Contracts.
- (ii) The entity is a wholly foreign-owned enterprise incorporated in the PRC.

The Company's financial year end date is 31 August, which is consistent with the school year. The subsidiaries in the PRC adopt 31 December as their financial year end date, while the other non-PRC subsidiaries adopt 31 August as their financial year end date.

37. EVENTS AFTER THE REPORTING PERIOD

On 9 September 2021, Jingzhou College (as borrower) entered into a loan agreement (the "Jingzhou College September 2021 Loan Agreement") with China Everbright Bank in relation to a revolving loan facility with a principal amount of up to RMB30,000,000 (the "Jingzhou College September 2021 Loan"). On 10 September 2021, each of the Company, the PRC Holdco, the School Sponsor, Hubei Chunlai, WFOE entered into a guarantee agreement with China Everbright Bank (collectively, the "Company Guarantee Agreements"), and each of Mr. Hou Junyu ("Mr. Hou"), Ms. Song Mengmeng ("Ms. Song") and Ms. Jiang Shuqin ("Ms. Jiang") entered into a guarantee agreement with China Everbright Bank (collectively, the "Personal Guarantee Agreements" and together with the Company Guarantee Agreements, the "September 2021 Guarantee Agreements"). Pursuant to the September 2021 Guarantee Agreements, each of the Company, PRC Holdco, School Sponsor, Hubei Chunlai, WFOE, Mr. Hou, Ms. Song and Ms. Jiang shall provide a guarantee in favour of China Everbright Bank for Jingzhou College's liabilities under the Jingzhou College September 2021 Loan Agreement (including but not limited to the principal amount of the Jingzhou College September 2021 Loan, interest, damages, compensation, and fees incurred by China Everbright Bank in connection with any enforcement actions). Further details of the Jinzhou College September 2021 Loan and the September 2021 Guarantee Agreements are set out in the announcement of the Company dated 24 September 2021.

38. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 November 2021.

Definitions

“affiliate”	means a company that directly, indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Company and includes any company which is (a) the holding company of the Company; or (b) a subsidiary of holding company of the Company; or (c) a subsidiary of the Company; or (d) a fellow subsidiary of the Company; or (e) the controlling shareholder of the Company; or (f) a company controlled by the controlling shareholder of the Company; or (g) a company controlled by the Company; or (h) an associated company of the holding company of the Company; or (i) an associated company of the Company; or (j) associated company of controlling shareholder of the Company
“Anyang University”	Anyang University (安陽學院), a Private HEI (formerly an independent college known as College of Humanities and Management of Anyang Normal University) (安陽師範學院人文管理學院) that obtained approval from MOE for its establishment on 25 April 2003 (excluding the Wenming Avenue (文明大道) campus of the College of Humanities and Management of Anyang Normal University, which was managed by Anyang Normal University) and one of our PRC Operating Schools. Operating and financial data stated to be of Anyang University presented in this annual report do not include contributions by Anyang University Yuanyang Campus, unless otherwise specified
“Anyang University Yuanyang Campus”	Anyang University Yuanyang Campus (安陽學院原陽校區), a branch college (下屬學院) of Anyang University located in Yuanyang, Henan Province, the PRC that obtained approval from the Education Department of Henan Province (河南省教育廳) for its establishment on April 2021
“Articles of Association”	the memorandum and articles of association of the Company adopted on 24 August 2018 with effect from the Listing Date, as amended from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Auditor”	ZHONHUI ANDA CPA Limited
“Award”	grant of any award by the Board pursuant to the Share Award Scheme
“Board” or “Board of Directors”	the board of directors of the Company
“BVI”	the British Virgin Islands
“Chairman Hou”	Mr. Hou Chunlai (侯春來), a PRC citizen, a non-executive Director and Chairman of the Board, and spouse of Ms. Jiang and father of Mr. Hou
“China” or “PRC”	the People’s Republic of China and, except where the context requires otherwise and only for the purposes of this annual report, references to China or the PRC exclude Hong Kong, Macau and Taiwan; the term “Chinese” has a similar meaning

Definitions

“Chunlai (Hong Kong)”	China Chunlai Education (Hong Kong) Limited (中國春來教育(香港)有限公司), a company with limited liability incorporated in Hong Kong on 19 December 2017 and a wholly-owned subsidiary of our Company
“Chunlai Investment”	Chunlai Investment Co., Ltd (春來投資有限公司), a company incorporated in the BVI with limited liability on 13 July 2017 and one of the Controlling Shareholders
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) effective from 3 March 2014, as amended, supplemented or otherwise modified from time to time
“Company”, “the Company” or “our Company”	China Chunlai Education Group Co., Ltd (中國春來教育集團有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 15 November 2017
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“consolidated affiliated entities” or “consolidated affiliated entity”	the entities we control through the Contractual Arrangements, being the PRC Holdco, the School Sponsor, Hubei Chunlai Education and the PRC Operating Schools
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, WFOE, Mr. Hou, Chairman Hou, Ms. Jiang and the Group’s consolidated affiliated entities, details of which are described in the section headed “Contractual Arrangements” in the Prospectus
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Hou and Chunlai Investment
“Corporate Governance Code”, or “CG Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
“COVID-19”	novel coronavirus
“Director(s)”	the director(s) of the Company from time to time
“Group”, “our Group”, “the Group”, “we”, “us” or “our”	the Company, its subsidiaries and the consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

Definitions

“Henan Implementation Opinions”	the Implementation Opinions of Henan Government on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education 《河南省人民政府關於鼓勵社會力量興辦教育進一步促進民辦教育健康發展的實施意見》 promulgated by the Henan Municipal Government on 2 February 2018
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hubei Chunlai Education”	Hubei Chunlai Education Technology Corporation (湖北春來教育科技有限公司), one of our consolidated affiliated entities and the sole school sponsor of Jiangkang College and Jingzhou College
“Hubei College”	College of Engineering and Technology of Yangtze University (長江大學工程技術學院), an independent college of Yangtze University (長江大學) located in Hubei Province, the PRC that obtained approval from MOE for its establishment on 18 March 2004, known as Jingzhou College after the conversion of Hubei College into a private ordinary college and change of school sponsor, details of which are set out in the announcement of the Company dated 29 October 2021
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“IPO”	initial public offering of the Shares
“Jiankang College”	Hubei Jiankang Vocational College (湖北健康職業學院), a private higher education vocational school (民辦高等職業學校) in the PRC and one of our PRC Operating Schools. The school sponsor of Jiankang College is Hubei Chunlai Education
“Jingzhou College”	the former name of Hubei College prior to the conversion of Hubei College into a private ordinary college (民辦普通高等學校) and change of school sponsor, details of which are set out in the announcement of the Company dated 29 October 2021, one of our PRC Operating Schools. The school sponsor of Jingzhou College is Hubei Chunlai Education
“Latest Practicable Date”	21 December 2021, being the latest practicable date to ascertain certain information set out in this annual report prior to its bulk printing
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange on 13 September 2018
“Listing Date”	13 September 2018, the date the Shares were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

Definitions

“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“MOE”	the Ministry of Education of the PRC (中華人民共和國教育部)
“Mr. Hou”	Mr. Hou Junyu (侯俊宇), a PRC citizen, an executive Director and our controlling shareholder, and son of Chairman Hou and Ms. Jiang
“Ms. Jiang”	Ms. Jiang Shuqin (蔣淑琴), a PRC citizen and an executive Director, and spouse of Chairman Hou and mother of Mr. Hou
“PRC Holdco”	Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司), a limited liability company established in the PRC on 1 August 2017 and one of our consolidated affiliated entities
“PRC Legal Adviser”	Tian Yuan Law Firm, our legal adviser as to PRC laws and regulations
“PRC Operating Schools”	Shangqiu University (including Shangqiu University Kaifeng Campus), Anyang University, Jiankang College and Jingzhou College
“Pre-IPO Share Option Scheme”	the share option scheme effective from 9 August 2018, the principal terms of which are set out in the section headed “Statutory and General Information – D. Pre-IPO Share Option Scheme and Share Award Scheme – 1. Pre-IPO Share Option Scheme” in Appendix V to the Prospectus
“Prospectus”	the prospectus of the Company published on 31 August 2018
“RMB”	Renminbi, the lawful currency of PRC
“Reporting Period”	the year ended 31 August 2021
“School Sponsor”	Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團), a private non-enterprise entity (民辦非企業單位) established in the PRC on 18 October 2004, a consolidated affiliated entity of the Company and the sole school sponsor of each of Shangqiu University (including Shangqiu University Kaifeng Campus) and Anyang University
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

Definitions

“Shangqiu University”	Shangqiu University (商丘學院), a Private HEI (formerly an independent college known as Huayu College of Henan Agricultural University (河南農業大學華豫學院) that obtained approval from MOE for its establishment on 14 July 2005) and one of our PRC Operating Schools; operating and financial data stated to be of Shangqiu University presented in this document do not include contributions by Shangqiu University Kaifeng Campus, unless otherwise specified
“Shangqiu University Kaifeng Campus”	Shangqiu University Applied Science and Technology College (商丘學院應用科技學院), a branch college (下屬學院) of Shangqiu University located in Kaifeng, Henan Province, the PRC that obtained approval from the Education Department of Henan Province (河南省教育廳) for its establishment on 16 May 2013
“Share(s)”	ordinary share(s) in the Company of par value of HK\$0.00001 each
“Share Award Scheme”	the share award scheme approved and adopted by the sole shareholder of the Company on 24 August 2018, the principal terms of which are set out in the section headed “Statutory and General Information – D. Pre-IPO Share Option Scheme and Share Award Scheme – 2. Share Award Scheme” in Appendix V to the Prospectus
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Suzhou University of Science and Technology”	Suzhou University of Science and Technology (蘇州科技大學)
“Tianping College”	Tianping College of Suzhou University of Science and Technology (蘇州科技大學天平學院), an independent college of Suzhou University of Science and Technology
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States dollars, the lawful currency of the United States
“WFOE”	Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司), a company established in the PRC with limited liability on 19 January 2018 and a wholly-owned subsidiary of our Company
“%”	percent

Glossary

“college”	a higher educational institution offering bachelor’s degree programmes and junior college diploma programmes, which may be a branch college (下屬學院) and may not be a separate legal entity
“combined vocation education and junior college diploma programme”	a five-year education programme that generally enrolls middle school graduates and upon the completion of which a junior college diploma will be granted
“formal education”	education system that provides students with the opportunity to earn official certificates from the PRC government
“high school”	a school that provide education for students in grade 10 through grade 12
“higher education”	an optional final stage of formal learning that occurs after secondary education, which is often delivered at universities, academies, colleges and institutes of technologies
“independent college”	a bachelor-degree level higher education institution established by a public university that provides formal education in bachelor-degree level or above in association with individuals or social organisations other than governmental institutions using non-state funds
“initial employment rate”	the percentage of graduates who entered into full-time employment contracts, were self-employed, accepted an offer for higher degree or equivalent programmes, or accepted an offer to pursue overseas study or employment, before graduation. There may be variation to the meaning of this term depending on the relevant school and type of graduates considered
“junior college to bachelor’s degree transfer programme”	a two-year post-secondary formal education programme that generally enrolls graduates of junior college degree programmes who have taken the National Higher Education Entrance Exam, and upon completion of which a bachelor’s degree will be granted
“National Higher Education Entrance Exam”	also known as “Gaokao” (高考), an academic examination held annually in the PRC, and a prerequisite for entrance into most higher education institutions at the undergraduate level in the PRC
“one-child policy”	China’s population control policy implemented by the Population and Family Planning Law of the PRC, according to which a family can have only one child, with certain exceptions
“private HEI”, “private higher education institution” or “private university”	a PRC private higher education institution (民辦高等教育機構) not affiliated with any public universities that is operated by nongovernmental entity(ies) or individual(s) where government funding is not a major source of capital and has open admission and enrolment to the public

Glossary

“private school”	a school that is not run by local, provincial or national governments
“public school”	a school that is run by local, provincial or national governments
“school sponsor”	an individual or entity that funds or holds interests in an educational institution
“vocational education programme”	a three-year vocational education programme that generally enrolls middle school graduates or a one-year vocational education programme that generally enrolls high school graduates, and upon the completion of which a vocational high school diploma will be granted