China New Higher Education Group Limited
中國新高教集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2001)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE EIGHT MONTHS ENDED 31 AUGUST 2020

ANNUAL RESULTS

The Board of Directors of China New Higher Education Group Limited is pleased to announce the annual results of the Group for the eight months ended 31 August 2020. These results have been reviewed by the Company's audit committee, comprising solely the independent non-executive Directors of the Company.

HIGHLIGHT

On 29 July 2020, the Company announced the change of its financial year-end date from 31 December to 31 August so as to align the financial year of the Group with the academic year of the schools operated by the Group in the PRC, which ends in August each year.

	Eight months ended 31 August 2020 (Audited) *(RMB million)*	Year ended 31 December 2019 (Audited) *(RMB million)*
Total revenue^	**796.3**	1,252.3
Revenue	**721.6**	1,089.2
Gross profit	**288.6**	542.6
Net profit	**197.1**	430.3
Net profit attributable to owners of the parent	**174.9**	386.4
EBITDA^^	**402.5**	716.9

^ *Total revenue included revenue from the principal businesses of the Group, and other income and gains*

^^ *Profit before tax plus finance costs, income tax expense, depreciation of property, plant and equipment, investment properties and right-of-use assets, and amortisation of other intangible assets.*

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The financial results for the eight months ended 31 August 2020 and those for the year ended 31 December 2019 are as follows:

	Eight months ended 31 August 2020 (Audited)	Year ended 31 December 2019 (Audited)
	RMB million	*RMB million*
Revenue	**721.6**	1,089.2
Cost of sales	**(433.0)**	(546.6)
Gross profit	**288.6**	542.6
Other income and gains	**74.7**	163.1
Selling and distribution expenses	**(10.5)**	(14.0)
Administrative expenses	**(42.3)**	(84.9)
Other expenses	**(10.5)**	(27.2)
Finance costs	**(76.4)**	(93.8)
EBITDA^	**402.5**	716.9
PROFIT BEFORE TAX	**223.6**	485.8
Income tax expense	**(26.5)**	(55.5)
Net profit for the period/year	**197.1**	430.3
Net profit attributable to owners of the parent	**174.9**	386.4

Note: On 29 July 2020, the Company announced to change its financial year-end date from 31 December to 31 August so as to align the financial year of the Group with the academic year of the schools operated by the Group in the PRC, which ends in August each year.

As a result, the annual results covered a period of eight months from 1 January 2020 to 31 August 2020. The corresponding comparative amounts shown in consolidated statement of profit or loss and other comprehensive income covered a period of twelve months from 1 January 2019 to 31 December 2019.

^ *Profit before tax plus finance costs, income tax expense, depreciation of property, plant and equipment, investment properties and right-of-use assets, and amortisation of other intangible assets.*

The annual results covered a period of eight months from 1 January 2020 to 31 August 2020. To provide meaningful comparative information, the Group prepared pro forma financial information covering the twelve-month period ended 31 August 2020 and 31 August 2019 (the "**Pro Forma Period**"), and such pro forma figures are detailed in the following table and have not been audited.

	Year ended		
	31 August 2020 (Pro forma) *RMB million*	31 August 2019 (Pro forma) *RMB million*	**Change**
Total revenue	**1,457.0**	859.0	+69.6%
Revenue	**1,292.4**	726.9	+77.8%
Cost of sales	**675.7**	414.6	+63.0%
Gross profit	**616.7**	312.3	+97.5%
Profit before tax	**546.3**	240.4	+127.2%
Net profit for the year	**482.0**	214.9	+124.3%

Note: The pro forma financial information for the twelve months ended 31 August 2020 is comprised of (1) the financial results for the period from 1 September 2019 to 31 December 2019, which derived from the 2019 annual financial results after deduction of the financial results (unaudited) for the eight months from 1 January to 31 August 2019 and (2) the eight-month financial results derived from the annual financial results (audited) for the eight months ended 31 August 2020.

The pro forma financial information for the twelve months ended 31 August 2019 is comprised of (1) the financial results for the period from 1 September 2018 to 31 December 2018 (the four-month financial results derived on a proportional basis from the financial results of the period from 1 July 2018 to 31 December 2018) and (2) the financial results (unaudited) for the eight months from 1 January 2019 to 31 August 2019.

Total revenue included revenue from the principal businesses of the Group, and other income and gains.

Revenue

The Group's revenue was RMB721.6 million for the eight months ended 31 August 2020. The pro forma revenue increased by 77.8% from the pro forma revenue of RMB726.9 million for the year ended 31 August 2019 to RMB1,292.4 million for the year ended 31 August 2020. This increase was primarily due to (1) the completion of acquisition of Central China School in the second half of 2019, (2) the Group's strategic goal of building "six excellences" has achieved preliminary results as the number of students as well as tuition fee and dormitory fee have continued to rise, showing a significant organic growth, and (3) the Group has responded positively to the national call to expand its higher vocational education business, which has resulted in faster growth in revenue.

Cost of Sales

The Group's cost of sales was RMB433.0 million for the eight months ended 31 August 2020. The pro forma cost of sales increased by 63.0% from the pro forma cost of sales of RMB414.6 million for the year ended 31 August 2019 to RMB675.7 million for the year ended 31 August 2020. The increase was primarily due to (1) the completion of acquisition of Central China School in the second half of 2019, (2) an increase in the number of students, and (3) the Group upholds high quality development and increases investment in teaching, mainly in upgrading talents, hardware, teaching and systems.

Gross Profit and Gross Profit Margin

The Group's gross profit was RMB288.6 million for the eight months ended 31 August 2020. The pro forma gross profit increased by 97.5% from the pro forma gross profit of RMB312.3 million for the year ended 31 August 2019 to RMB616.7 million for the year ended 31 August 2020, consistent with the growth of the Group's business. The pro forma gross profit margin increased to 47.7% for the year ended 31 August 2020 from 43.0% for the year ended 31 August 2019. The increase in gross profit margin was mainly due to that the Group has been building best practices optimizing cost mix and improving management through collectivized school operation management, the growth rate of revenue was higher than that of cost of sales resulting in the improvement of the level of gross profit margin.

Other Income and Gains

The Group's other income and gains were RMB74.7 million for the eight months ended 31 August 2020. The pro forma other income and gains increased by 24.6% from the pro forma other income and gains of RMB132.1 million for the year ended 31 August 2019 to RMB164.6 million for the year ended 31 August 2020. The increase was primarily attributable to (1) the completion of acquisitions of Central China School in the second half of 2019, (2) income from exam training and logistics services, interest income and finance management income were recorded a considerable increase as compared with those for the year ended 31 August 2019, and (3) reversal of provision as a result of recovery of prepayment made for a potential acquisition in Xinjiang.

Selling and Distribution Expenses

The Group's selling and distribution expenses were RMB10.5 million for the eight months ended 31 August 2020. The pro forma sellling and distribution expenses increased by 60.8% from the pro forma selling and distribution expenses of RMB10.2 million for the year ended 31 August 2019 to RMB16.4 million for the year ended 31 August 2020. The expenses account for approximately 1% of the total revenue, which is generally consistent with historical levels. This increase was primarily attributable to (1) the completion of acquisition of Central China School in the second half of 2019, and (2) preventing the business from being affected by the epidemic, the Group has increased our outreach efforts.

Administrative Expenses

The Group's administrative expenses were RMB42.3 million for the eight months ended 31 August 2020. The pro forma administrative expenses increased by 47.3% from the pro forma administrative expenses of RMB60.1 million for the year ended 31 August 2019 to RMB88.5 million for the year ended 31 August 2020. The administrative expenses of the Group increased at a slower rate than its cost of sales as it effectively and strictly controlled its administrative expenses. Such increase was mainly due to the Group's increased investment in engaging professionals to provide strategic research and collectivized management consultancy to the Group and schools.

Other Expenses

The Group's other expenses were RMB10.5 million for the eight months ended 31 August 2020. The pro forma other expenses decreased by 63.6% from the pro forma other expenses of RMB46.2 million for the year ended 31 August 2019 to RMB16.8 million for the year ended 31 August 2020, which was primarily due to a provision for impairment of RMB31.0 million in pro forma other expenses for the year ended 31 August 2019 in respect of the prepayment on Xinjiang project, which was no such costs for the year ended 31 August 2020. Excluding such effect, other expenses increased by 10.5% was due to the increase in costs incurred from the growth in other income and gains.

Finance Costs

The Group's finance costs were RMB76.4 million for the eight months ended 31 August 2020. The pro forma finance costs increased by 29.5% from the pro forma finance costs of RMB87.5 million for the year ended 31 August 2019 to RMB113.3 million for the year ended 31 August 2020, which was mainly due to (1) promotion of the acquisition of minority interests in the Henan School and Guangxi Schools, and (2) an increase in the scale of financing to respond to the epidemic risks.

EBITDA

The Group's EBITDA was RMB402.5 million for the eight months ended 31 August 2020. The pro forma EBITDA was RMB821.6 million for the year ended 31 August 2020, an increase of 83.9% as compared with adjusted EBITDA of RMB446.7 million for the year ended 31 August 2019, which was mainly due to (1) the completion of the acquisition of Central China School in the second half of 2019, (2) strong organic growth of the existing schools, and (3) our active response to the epidemic and optimization of cost structure to ensure that a reasonable return to our investors is achieved.

Profit before Tax

The Group's profit before tax was RMB223.6 million for the eight months ended 31 August 2020. The pro forma profit before tax was RMB546.3 million for the year ended 31 August 2020, as compared to the pro forma profit before tax of RMB240.4 million for the year ended 31 August 2019, representing an increase of 127.2%.

Net Profit

As a result of the combined effect of income, costs and expenses above, the Group's net profit was RMB197.1 million for the eight months ended 31 August 2020. The pro forma net profit was RMB482.0 million for the year ended 31 August 2020, an increase of 124.3% as compared with the pro forma net profit of RMB214.9 million for the year ended 31 August 2019.

LIQUIDITY AND CAPITAL RESOURCES

The total capital of the Group, which equals to the aggregate of cash and cash equivalents plus time deposits and pledged deposits, plus financial assets at fair value through profit or loss, decreased by 4.7% from RMB1,047.3 million as of 31 December 2019 to RMB998.1 million as of 31 August 2020. The level of capital reserves remains basically flat.

CAPITAL EXPENDITURES

For the eight months ended 31 August 2020, the Group's capital expenditures were RMB104.8 million, which was primarily used for the construction of our school buildings, facilities and purchase of equipment and software.

Capital Commitments

The Group's capital commitments were primarily used in the payment of maintenance and construction of school building, purchase of facilities and investment in Gansu College. The following table sets out a summary of our capital commitments as of the dates indicated:

	31 August 2020 (Audited) ***RMB million***	31 December 2019 (Audited) *RMB million*
Contracted but not provided for:		
Property, plant and equipment	**190.8**	**140.0**
Investments	**23.0**	**43.0**
	213.8	**183.0**

As of 31 August 2020, the Group had no significant capital commitment authorized but not contracted for.

INDEBTEDNESS

Bank Loans and Other Borrowings

The Group's bank loans and other borrowings primarily consisted of short-term working capital loans and long-term project loans for the construction of our school buildings and facilities. The bank loans and other borrowings amounted to RMB1,895.8 million as of 31 August 2020, among which HK$387.6 million was denominated in Hong Kong dollar, while the remaining was denominated in Renminbi.

Contingent Liabilities

As of 31 August 2020, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

Ratio of Interest-Bearing Debt/Total Assets

Ratio of interest-bearing debt/total assets equals to the total amount of interest-bearing bank loans and other borrowings as of 31 August 2020 divided by the total assets. The Group's interest-bearing debt/total assets ratio increased from 24.8% as of 31 December 2019 to 32.4% as of 31 August 2020, mainly due to the acquisition of minority interests in Henan School and Guangxi Schools, and the increase in the Group's cash reserves to respond to the COVID-19 epdemic, resulting in the increase in the scale of interest-bearing debts.

Net Ratio of Interest-Bearing Debt to Equity Ratio

Net ratio of interest-bearing debt to equity ratio equals total interest-bearing bank loans and other borrowings net of total capital divided by total equity as of 31 August 2020. The Group's net ratio of interest-bearing debt to equity ratio increased from 14.9% as of 31 December 2019 to 35.9% as of 31 August 2020, which was primarily attributable to the increase in the scale of interest-bearing debts.

Gearing Ratio

Gearing ratio equals ratio of interest-bearing debt divided by total equity as of 31 August 2020. Interest-bearing debt includes all interest-bearing bank loans and other borrowings. The Group's gearing ratio increased from 50.4% as of 31 December 2019 to 75.7% as of 31 August 2020, mainly due to (1) the characteristics of the Group's business, thas is, 31 August being before the start of the new academic year, there is less cash and more debt, and 31 December being after the start of the academic year with a large inflow of tuition fees, boarding fees and other cash, and there is more cash and less debt, therefore the gearing ratio as at 31 August 2020 is higher than that as at 31 December 2019. (2) the Group has increased its cash reserves this year to cope with the potential uncertainty of the epidemic, resulting in an increase in its interest-bearing liabilities.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other plans for material investments and capital assets for the eight months ended 31 August 2020.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 8 May 2020, the Group completed acquisition of 45% interests in the school sponsor of Henan School. On 29 July 2020, the Group completed acquisition of 39% interests in Songming Xinju, the sole shareholder of the school sponsor of Guangxi Schools. On 12 June 2020, the Group completed acquisition of 100% interest in Beijing Fangzhi, the sole shareholder of the school sponsor of Yunnan Vocational School. Upon completion of the aforesaid acquisitions, each of Henan School, Guangxi Schools and Yunnan Vocational School entered into a supplemental agreement to the Structured Contracts with Huihuang Company, Yun Ai Group, the current registered shareholders of Yun Ai Group, to reflect the change of interest in each of the schools by the Group. Accordingly, each of Henan School and Guangxi Schools was treated as a 100% consolidated affiliated entity and 90% consolidated affiliated entity of the Company, respectively, and Yunnan Vocational School was treated as a subsidiary of the Company. Please refer to the announcements dated 8 May 2020, 29 July 2020 and 27 August 2020, respectively, for details of the aforesaid acquisitions.

Save as disclosed, there were no other significant investments held by the Group, no material acquisitions or disposals of subsidiaries, associates or joint ventures during the period, nor was there any plan authorized by the Board for other material investments or additions of capital assets during the eight months ended 31 August 2020.

FOREIGN EXCHANGE RISK MANAGEMENT

The functional currency of the Group is RMB and HKD. The majority of the Group's revenue and expenditures are denominated in RMB. As at 31 August 2020, certain bank loan and bank balances were denominated in USD and HKD. The Group currently does not have any foreign currency hedging policies. The management will continue to pay attention on the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

PLEDGE OF ASSETS

The pledged assets of the Group as at 31 August 2020 are as follows:

(i) the Group's buildings, furniture and fixtures and electronic devices with an aggregate net carrying amount of approximately RMB182,969,000 as at 31 August 2020 (31 December 2019: RMB250,178,000);

(ii) the pledge of shares of the Group's certain subsidiaries;

(iii) personal guarantees executed by Mr. Li, a director of the Company, and Ms. Yang (spouse of Mr. Li);

(iv) corporate guarantees executed by the Group and subsidiaries of the Group, which are controlled by Mr. Li;

(v) deposits of the Group with an amount of RMB271,796,000 at as 31 August 2020 (31 December 2019: RMB343,000,000);

(vi) Guizhou School's charging right of tuition and boarding fees;

(vii) Guangxi Yinghua International Occupation Middle School's charging right of tuition and boarding fees; and

(viii) Yunnan School's charging right of tuition and boarding fees.

HUMAN RESOURCES

As of 31 August 2020, the Group had 7,430 employees (7,147 as of 31 December 2019). As required by the PRC laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. The Group maintains a good working relationship with employees, and the Group did not experience any material labor disputes during the eight months ended 31 August 2020.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the date of this announcement, the Group had not entered into any off-balance sheet transactions.

DIVIDEND

The Board has resolved to make the payment of an interim dividend of RMB0.042 per Share for the six months ended 30 June 2020. The interim dividend was declared in Renminbi and paid at HK$0.0471 per Share, and was paid on 12 October 2020 to the Shareholders whose names appear on the register of members of the Company on 17 September 2020.

As interim dividend was declared and paid for the period ended 30 June 2020 which was only two months before the end of the reporting period in this announcement, the Board recommends that no dividend be paid for the eight months ended 31 August 2020, and will consider payment of interim dividends for the six months ended 28 February 2021.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting to be held on Friday, 22 January 2021, the register of members of the Company will be closed from Tuesday, 19 January 2021 to Friday, 22 January 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be qualified for attending and voting at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 18 January 2021.

BUSINESS REVIEW

Positioning: The Leading Higher Education Group in the PRC

1. Collectivized School Operation Practitioner

Established in 2005 and relocated its headquarters to Beijing in 2012, the Group has now formed a replicable collectivized school operation model that empowers the development of the Group and its Group members.

2. Propeller of Application-oriented Universities

In 2006, Mr. Li, the chairman of the Board of the Group, was the first to propose the "Concept of Application-oriented Universities Classification" in China. In 2013, the Association of Universities (Colleges) of Applied Science was established, with the Group as one of the initiators and its vice-chairmanship, and the Group is the only councillorship representing the private higher education institution. Mr. Li is a deputy to the 13th National People's Congress of China and actively offered his advice and suggestions on education-related policies.

3. Leader of High-quality Employment

The schools of the Group have won the title of the Top 50 National Employment of the MOE（教育部全國就業工作50強）, with average employment rate remaining at above 97%. In 2020, the employment rates of the Group's schools have exceeded those of similar schools in a corresponding province.

4. Pioneer of Cross-regional Layout

Since entering different provinces to operate schools in 2009, the Group has built up its business in seven provinces in China, including Yunnan, Guizhou, Hubei, Heilongjiang, Henan, Guangxi and Gansu. Currently, it is one of the Hong Kong-listed companies with the most widely layout of schools in China.

5. Forerunner of Organic Growth

The Group's organic growth has been highly competitive, and the Group's organic revenue growth rate has been industry-leading over the past three years. With the continuous improvement of the Group's teaching quality, a sustainable and stable organic growth will be maintained in the future.

Group Strength

The Group is positioned as a leading higher education group in China, it is the mission of the Group to "Help Students Become the Best They Can Be". The Group has years of experience in private education and has 5 successful acquisition cases. For 2020/2021 academic year, the total student enrollment in the 7 self-founded and invested schools exceeds 125,600. The Group has over 300 undergraduate and junior college majors. As the leader of high-quality employment, there are over 10,000 cooperating units having high quality employment partners with the schools.

BUSINESS HIGHLIGHTS

1. The Student Enrollments Increased by 11% with a Strong Organic Growth

The Group's student enrollment for 2020/2021 academic year increased by nearly 11% year-on-year, the total student enrollments are over 125,600. At present, the Group's enrollment expansion in higher vocational education is still in progress, and the total number of the Group's enrolled students will be further increased after the completion of the higher vocational education enrollment expansion. The compound annual growth rate of the student enrollment was 32.3% over in the past three years.

2. With the 2 + 1 Robust Acquisitions, the Group Acquired Additional Interests in its Existing Schools and then Made an External Acquisition

The Group adopted the acquisition strategy of internal first followed by external, and has completed the 2 + 1 acquisitions this year.

Internally, the Group completed further acquisition of minority interests in Henan School and Guangxi Schools in May and July, respectively. The significant collectivized management advantage has improved post-investment operations and financial performance. The price-earning ratio of such acquisitions were lower than that of the initial acquisitions of equity interests in such schools.

Externally, the Group acquired interests in a training institution, Yunnan Vocational School in June, expanded the scale of training income, realized revenue diversification, improved students' professional skills, and supported high-quality development strategies. The valuation of such acquisition was attractive, with a price-earning ratio of 6.4 times.

3. Completed Financing of US$130 Million with Sufficient Capital Reserve

In September, the Group completed the issuance of US$100 million of convertible bonds and approximately US$30 million of top-up placement, with a total financing amount of approximately US$130 million, making it the first simultaneous issuance of convertible bond and placement transaction in the Asia-Pacific education sector. The convertible bond has a coupon rate of only 1%, which is the lowest among non-investment grade one-year convertible bonds and one of the lowest coupon rates among Hong Kong-listed education companies that have issued convertible bonds so far. The convertible bond has a conversion premium rate of 18%, which is the highest premium level for a one-year convertible bond issue in the past two years under the same issuance conditions. At the same time, the discount rate for the top-up placement was low, representing approximately 7.76% discount to the closing price of the Shares of the Company of the previous date, which was one of the lowest discounts among Hong Kong-listed education companies of the year.

4. **Actively Respond to the Epidemic, the Online Teaching Platform Received Nearly 400 Million Hits**

During the epidemic period, the Group arranged online teaching according to the original teaching plan and the original class schedule, and fully completed the teaching work for the spring semester, realizing the principle of "delay backing to school, no delay in teaching and learning".

The online teaching platform cooperates fully with AliCloud, which can carry 100,000 concurrent visits and accommodate all students' online learning at the same time, and the number of courses built on the online teaching platform is nearly 4,000.

High Growth of Student Enrollments and Average Tuition Fee

For the academic year of 2020/2021, the schools of the Group had achieved new record high in terms of the number of students enrolled. This is an encouraging result, which demonstrated the strength and reputation of the schools and also showed their relatively strong competitiveness in the region which it operates.

The schools of the Group include Yunnan School, Guizhou School, Central China School, Northeast School, Henan School and Guangxi Schools, all of which have been consolidated into its accounts. The Group invested in Gansu College (together with the aforesaid schools, "All Schools").

The total number of students enrolled of All Schools increased to 125,692 in the 2020/2021 academic year, representing an increase of approximately 10.7% as compared to 113,507 announced in October 2019, which is attributable to the continuing strong organic growth. At present, the Group's enrollment expansion in higher vocational education is still in progress, and the total number of the Group's enrolled students will be further increased after the completion of the higher vocational education enrollment expansion.

For the 2020/2021 academic year, the average tuition fee for All Schools increased to RMB11,475, representing an increase of 4.4% as compared to RMB10,995 announced in October 2019. The quality of the Group's teaching continues to improve and there is considerable room for the increase in future tuition fee.

From the 2017/2018 academic year to the 2020/2021 academic year, the Group's total number of students increased at a compound rate of 32.3% over the three-year period.

The increase in the Group's total number of enrolled students and average tuition fee is mainly attributable to high quality development and strong organic growth of the Group's schools and high recognition by both students and their parents on the Group's capability in high quality school management.

Schools	Number of Enrolled Students Academic Year Note(2) 2020/2021	2019/2020
Yunnan School	**33,380**	30,658
Guizhou School	**19,276**	17,308
Northeast School	**9,788**	9,258
Central China School	**12,802**	10,764
Henan School	**27,837**	27,008
Guangxi Schools	**13,382**	10,273
Total	**116,465**	105,269
Gansu College Note(1)	**9,227**	8,238
Total	**125, 692**	113,507

(1) Gansu College completed the campus construction and relocation of students in September 2019. The acquisition of Gansu College is still pending approval for change of school sponsor of Gansu College by the MOE.

(2) An academic year generally starts from 1 September of each year to 31 August of the following year.

Development Strategy

Two-wheel Driven Growth Strategy

The Group maintains an "Organic Growth + Value Investment" two-wheel driven growth strategy to build internal and external growth engines, and continues to drive high-speed growth.

Organic Growth

The Group promotes organic growth by implementing the "Quality, Grow and Light" strategy of "Quality improvement, revenue growth and light assets".

"Quality improvement" represents that the Group will continue to improve the quality in teaching, employment, management and services.

The Group diversifies revenue to achieve the sustainable performance growth of "revenue growth".

1. Increase revenue from principal businesses: to raise the revenue from tuition fees and boarding fees by focusing on raising tuition fees of outstanding majors and boarding fees.

2. Increase revenue from non-principal businesses: to expand value-added services to students or specified groups and give priority to exploit potential resources in campuses to expand revenue from logistics commerce, training, and integration of industry and teaching.

The Group is also carrying out "light assets" mode aiming for scientific classification of asset inventories, perfect management of demand, use, input and income of each type of assets through exploring innovative business models, reducing required investment and improving return on assets.

Value Investment

As a practitioner in cross-region operation, the Group commenced operating schools in various provinces since 2009 and the network of school has covered seven provinces and gained years of experience in self-found and investments of schools. The Group has presciently acquired 5 higher education institutions at acquisition costs which are much lower than the average market rate, and completed the integration of these schools with its experience in centralized management. Recently, the Group has completed further the acquisition of minority interests in Henan School and Guangxi Schools, for which the Group accumulated extensive, multi-level and multi-location acquisition experience, and the integration effect of the acquistions is obvious. The centralized management and operations of the Group have consolidated its financial strength and, with its sufficient capital reserves, it has provided a strong support for the Group's external expansion.

Overall strategic goals of "Six Excellences"

The Group takes the "Six Excellences" as the overall strategic goals, including excellent school operation efficiency, excellent employment quality, excellent students' experience, excellent campus environment, excellent technological support and excellent organizational capacity. During the period, the Group made breakthroughs in employment quality, students' experience, campus environment and government-subsidized training.

Application-oriented Education

In response to the national call, the Group provides modern vocational education services and cultivates high-quality technical and skilled talents who are capable of applying and serving the regional development.

1. *OBE teaching model reform*

   The Group integrates the international Outcome-Based Education (OBE) teaching model to practice application-oriented talent training, promote teaching reform, and improve teaching quality.

2. *School-enterprise "dual" education*

   All majors are matched with corresponding employment units. For example, the medical and nursing majors have been cooperated with more than 150 hospitals; the e-commerce majors have been cooperated with Alibaba, Tmall, JD, Suning and other large e-commerce companies; the Group newly launched 34 high-paying freshmen classes during the year, cooperating relationship were formed with Huawei, Adobe, Chinasoft International, Tedu and other enterprises.

3. *Focus on the establishment of majors of new medicine, new liberal arts and new engineering stream*

   The Group added 33 new majors in this academic year, including: health inspection and quarantine, drug operation and management, traditional Chinese medicine rehabilitation technology, rehabilitation therapy, new energy vehicle technology, virtual reality application technology, robotics engineering, tea science, cross-border e-commerce, etc.

4. *Over 1,000 training bases for integration of industry and teaching*

   Central China School cooperated with Huiyi Ophthalmology Hospital（慧宜眼科醫院）and Huiyi Hospital of Rheumatic Diseases（慧宜中西醫結合風濕醫院）to establish Science and Technology College of Hubei Minzu University Affiliated Ophthalmology Hospital and Affiliated Hospital of Rheumatic Diseases.

High Level of Employment

Mr. Li, Chairman of the Group, made the " Recommendations on Employment of Graduates from Colleges to Cope with the Impact of the Epidemic (《關於應對疫情影響做好高校畢業生就業工作的建議》)" at the Third Session of the 13th National People's Congress (NPC), which was listed by the General Office of the NPC Standing Committee as one of the key supervisory recommendations under the theme of "Strengthening Employment Priority Policies, Stabilizing Employment and Protecting People's Livelihood".

1. *Star Employment*

   The star employment rate increased by 111% as compared with that for the same period of 2019 (definition of star employment: graduates with an annual salary of RMB80,000 or more, taking postgraduate entrance examinations and entering a provincial key undergraduate university, municipal and above civil servants, and studying abroad).

2. *Employment Rate*

   As at mid-November, the average employment rate of various schools of the Group exceeded that of similar schools in a corresponding province, of which the employment rate of Guangxi Schools exceeded 95%, leading the province's institutions.

3. *In-depth Cooperation with Famous Enterprises*

   The Group has in-depth cooperation with more than 1,100 famous enterprises, among them, there are 1.39% of Fortune 500 companies and 12.62% of China 500 companies, including Huawei, Adobe, JD, Alibaba and Ernst & Young, etc. The key directions of cooperation include: 1) order cooperation model – creating 34 high-paying employment excellence classes for freshmen; 2) the mode of rotating the learning and work experience; 3) internship model; 4) attracting investment and building industry college model, etc.

4. *"Qiduo.net" Employment Platform*

   Through the "Qiduo.net" employment platform, the Group has provided online training, guidance, recruitment and other employment services for students. Schools of the Group had held nearly 830 online and offline job fairs through the "Qiduo.net", continuing to improve the quality of employment.

5. *Graduate Entrepreneurial Stories Reported by CCTV*

   Yin Qifeng, a graduate of the Group, was featured in CCTV's "Science and Technology" as innovating a mixed culture model for Yunnan indigenous fish, and his company has become the largest farming base for the rare indigenous fish, Anabarilius grahami (鱇浪魚), in Yunnan Province.

Expansion of Government-subsidized Training

The Group actively responds to the call of the government and seizes the opportunity to provide vocational skills training services for the public, contributing to the “employment support” and increasing revenue diversification. At present, the Group has been granted a training quota of 29,300 persons and provided government-subsidized training to the community for more than 6,000 persons. At the same time, the government subsidized training programs of each school are gradually being applied and approved.

With the recent acquisition of Yunnan Vocational School, the Group has supplemented its project qualifications and industry experience, quickly integrated resources and strengthened its capabilities to make a breakthrough in the field of government-subsidized training, and simultaneously established specialized institutions (School of Continuing Education and School of Vocational Education) in various universities to select and assign professional talents, and opened up a new runway to increase revenue based on the existing student training business. By 2020, over 4,000 student fees will have been paid to Yunnan Vocational School and it’s approved as one of the first batch of training sites for the new national profession of “Internet Marketing Professional”.

Achievements of Value Investment

According to the market environment and its own actual development, the Group has established a development strategy with “organic growth + value investment”. In terms of value investment, based on the acquisition principal of internal first followed by external, the Group holds the strategy of first integrating its existing schools, and subsequently supplementing by excellent external acquisitions. Recently, the Group further acquired minority interests in Henan School and Guangxi Schools. In addition, the Group acquired Yunnan Vocational School in June to expand its training revenue scale and diversify its revenue.

Acquisition of interests in Henan School

On 8 May 2020, Beijing Daai Gaoxue, a wholly owned subsidiary of Yun Ai Group, entered into a share transfer agreement, pursuant to which Beijing Daai Gaoxue agreed to acquire 45% equity interest in Henan Rongyu, the school sponsor of Henan School, from Rongrui Shangyu Company and Rongyaojia Company. Beijing Daai Gaoxue held 100% equity interest in Henan Rongyu upon completion of the acquisition.

This acquisition was carried out by taking into the following factors: first, the source of students and potential economic growth in Henan Province; second, the post-investment management capability and profitability of the school have been significantly improved under the renovation and upgrading of the Group’s management, and upon the completion of the acquisition, the Group will fully leverage on the strength in collectivized school operation and the operational capability and profitability of the school will be further improved; third, the valuation of the acquisition is reasonable. Both the costs per student and the price-earning ratio of such acquisition are lower than that of the acquisition of 55% equity interest in Henan Ronyu on 8 October 2018 by Beijing Daai Gaoxue.

Acquisition of interests in Guangxi Schools

On 29 July 2020, Daai Education acquired 39% equity interest of Songming Xinju, the sole shareholder of the Guangxi Schools Sponsor, from Greenwoods Jia Xin Rui Xuan for a consideration of RMB152 million. Upon completion of such acquisition, Songming Xinju became owned as to 90% by Daai Education and as to 10% by Mr. Li Jianchun.

This acquisition was carried out by taking into the following factors: first, the potential to increase gross student enrollment rate and the regional advantage of covering the countries within the Association of Southeast Asian Nations of Guangxi Province; second, the Guangxi Schools are the only private universities in the region; third, the post-investment management capability and profitability of the schools have been significantly improved under the renovation and upgrading of the Group's management, and upon the completion of the acquisition, the Group will fully leverage on the strength in collectivized school operation, and the operational capability and profitability of the schools will be further improved; fourth, the valuation of the acquisition is reasonable. Taking into account the expanding enrollment in vocational high schools, both the costs per student and the price-earning ratio of such acquisition are lower than that of the acquisition of 51% equity interest in Songming Xinju by the Group on 14 September 2018.

Acquisition of Yunnan Vocational School

The government has provided the policy support for the subsidized vocational skills training. The Action Plan for Upgrading Vocational Skills (2019-2021) (《職業技能提升行動方案(2019-2021年）》) proposes to carry out various subsidized vocational skills training for more than 50 million persons from 2019 to 2021, and the proportion of highly-skilled talents to skilled labour will reach over 30% by the end of 2021.

In order to expand the scale of training revenue, in the first half of 2020, the Group acquired Yunnan Vocational School, which is a diversified lifelong vocational education and training institution integrating accounting training, IT training, adult commissioned training and other training services. The price-earning ratio of the acquisition was only 6.4 times, which was more cost-effective in the sector.

Leveraging the channel resources of the Group's colleges and universities, Yunnan Vocational School utilizes the existing classrooms, teaching equipment, campuses and online platforms of the Group's schools to open up a new channel while maintaining its existing training for students enrolled, so as to expand its off-campus training.

SCHOOLS

Yunnan School (Self-founded)

- Founded in 2005 and provides undergraduate education and junior college education
- The first private undergraduate school in Yunnan Province
- Top 50 National Graduate Employment of the MOE（教育部全國畢業生就業工作50強）
- Approved as applied talents training model institute in Yunnan Province in 2019
- The first applied undergraduate university in Yunnan which established University Edge Computing Network Engineering Research Center
- Won the first award of the Yunnan Duty Appraisal of Employment Target for 10 consecutive years

Employment achievement highlights:

One out of every five graduates from Yunnan School is among the network technology talents in Yunnan Province; and two out of every five technicians in the Yunnan Huawei ecosystem are students from Yunnan School.

Recent investments and achievements:

Cooperation with famous enterprises: The school has in-depth cooperation with enterprises. It cooperates with the Chengdu Operation Center of the JD Group to establish the "JD College of Industry – Teaching Integration（京東產教融合學院）"; It also cooperates with Huawei to establish the "Yunnan Technology and Business University – Joint Training Base for Talents for Huawei ICT".

Integration of industry and teaching: The school has upgraded and transformed more than 40 existing teaching experimental training rooms. At present, there are a total of 134 basic laboratories, professional laboratories and training facilities in the school.

Innovation and entrepreneurship: The school emphasizes education on innovation and entrepreneurship, and constructs a national Entrepreneurship Development Arena – Yunke Creative Space. In the past two years, the school has won 8 national and 41 provincial awards in the competitions such as China National College Student "Innovation, Creativity and Entrepreneurship" Challenge in E-commerce and the "Internet+" Competition. 12 micro and small enterprises founded by college students have been incubated. Yunnan School was also the first private university hosting the China National College Student "Innovation, Creativity and Entrepreneurship" Challenge, which was held by Zhejiang University and other public universities in the past.

Guizhou School (Self-founded)

- Founded in 2012 and provides junior college education

- The full-time vocational college with the largest enrollment and leading employment rate in Guizhou Province

- "Outstanding Youth Commando for Epidemic Prevention（優秀防疫青年突擊隊）" awarded by Guiyang Committee of the Communist Youth League

- The only private college in Guiyang awarded the "Advanced Educational Institution in Guiyang" in 2019

- The passing rate of nurse qualification examinations for four consecutive years is higher than the national average level of higher vocational education, and ranking the top in Guizhou Province

Employment achievement highlights:

Guizhou School has trained more than 200 construction talents for SinoHydro Bureau 7 where one out of every six workers of which are graduated from Guizhou School. 100% of the engineering graduates from colleges in Guizhou Province who have been employed by SinoHydro Bureau 7 in 2020 are graduates from Guizhou School. Guizhou School has more than 80 joint-running hospitals in Guizhou Province, achieving full coverage of Guizhou Province.

Recent investments and achievements:

Campus Environment: The school improves the campus environment and infrastructure in multiple dimensions, such as upgrading the canteen, flowerbeds at the main entrance, classrooms, apartments, maple woods, lecture hall, library, and initiates the construction of the school gymnasium project.

Teaching Quality: The school has organized the "Wonderful Class" under the Outcomes-based Education (OBE) concept to further improve the quality of education and teaching. It has won the first prize in the Second "Keyun Cup"（科雲杯）National Taxation Skills Competition (Higher Vocational Group).

Professional Skills: three pilot "1+X" projects of the school, namely child care, integrated business and financial information, and sports marketing consultation and guidance were approved.

Central China School (Investment, completed in August 2019)

- Established in 2003 and provides undergraduate and junior college education in medicine, arts and other subject
- National Advanced Independent College
- A private undergraduate university oriented by application with distinctive characteristics, well-known in the province and influential in the country
- Obtained the qualification to grant Bachelor of Medicine
- Government entrusted targeted training unit for medical students

Employment achievement highlights:

Central China School has more than 300 graduates majoring in electrical engineering and automation, 120 of whom have joined large state-owned enterprises such as State Grid Corporation, China Tobacco Corporation, and China Three Gorges Group, accounting for more than 30% of total graduates majoring in electrical engineering and automation and ranking among the top colleges in Hubei Province.

Recent investments and achievements:

Campus Environment: The school has completed the upgrading of five student apartments, and started the construction of the Student Integrated Service Center, the West Gate and Landscape Project.

Employment Services: The school is committed to providing high quality employment services, and ranks first in the province in terms of job satisfaction. The school was named the advanced collective of college admissions team in Hubei Province and one of the most popular colleges on the admissions information website of Central China.

School-enterprise Cooperation: The school has expanded cooperation with enterprises including the signing of agreements with four affiliated hospitals and two teaching hospitals and the establishment of the Chinasoft International Big Data College（中軟國際大數據學院）with the Chinasoft International Education Technology Group（中軟國際教育科技集團）.

Northeast School (Investment, completed in December 2018)

- First built in 1992, then established as an independent institute in 2004 and provides undergraduate education
- The earliest private undergraduate university in Heilongjiang Province
- The only national key construction base for the training of qualifications of middle-level professional teachers in private universities
- Heilongjiang Top 100 Quality Institution
- The first batch of pilot universities for "Campaign of Cultivating Excellent Engineers" in Heilongjiang Province
- The "1115" Project of Heilongjiang Province's construction of a strong province for higher education
- Automobile service engineering major was recommended to participate in the construction of national first-class majors

Recent investments and achievements:

Teaching Quality: There are 12 large-scale practice teaching centers on campus, covering 197 laboratories; 97 practice bases off campus; and the transformation of 18 laboratories which affiliated to modern welding technology training center and electrical engineering and automation practice center. With the transformation and upgrading of teaching hardware, in 2020, the Group opened 19 elite classes enrolling new students against nine majors. More than 60 elite classes have been opened so far with nearly 2,000 students being educated since its launch.

Specialties: The school and Siemens (China) have built the first joint demonstration center for intelligent manufacturing technology in Northeast China. The Intelligent Manufacturing Engineering program was approved and opened for enrollment nationwide, which is the only undergraduate program in the province.

School-enterprise Cooperation: The school has added 7 new school-enterprise cooperative enterprises, and signed a PEAP cooperation agreement with Porsche (China) Automobile Sales Co., Ltd., and opened the Porsche Training Program to teachers. Nearly 20% of our employed graduates this year are employed by Fortune 500 companies.

Henan School (Investment, completed in October 2018)

- Established in 2013 and provides junior college and vocational education
- The only private higher vocational college in Luoyang city, Henan
- Excellent private school in Henan Province
- The National Top 10 E-commerce Educational Institutions
- The first batch of pilot colleges to hold the National E-commerce Skills Examination
- Vice chairman unit of China Modern Service Industry Vocational Education Group
- National grand prize of the 10th national university student e-commerce "Innovation, Creativity and Entrepreneurship" challenge

Employment achievement highlights:

Henan School has trained more than 4,000 e-commerce talents, more than 1,200 of whom have joined JD. Seven out of every ten workers in the JD e-commerce operations team in Henan Province are from Henan School. During the "Double Eleven" sales festival period from 2015 to 2020, student participation accounted for more than 60% of the e-commerce sales in Luoyang every year, ranking first in Luoyang for six consecutive years.

Recent investments and achievements:

Campus Environment: The school is planning to build 15 student apartments and one U-shaped teaching building etc. The School also newly added shops and campus transportation vehicles etc.

School-enterprise Cooperation: The school cooperates with a number of well-known domestic enterprises and cooperates with Alibaba's Tmall on strategic training base. In 2020, the cumulative sales of students participating in Tmall's "Double Eleven" reached RMB2.0 billion.

Experience and Practical Training: The school built 12 new training bases, including a caravan conversion base which is the first one among universities and colleges in Henan Province.

Guangxi Schools (Investment, completed in January 2019)

- Established in 2005 and provides junior college and vocational education
- Located in the port city of Beibu Gulf Economic Zone
- The only private college in the Qinzhou City
- The most international higher education college in the area
- The first prize of the 8th national university digital art design competition

Recent investments and achievements:

Campus Environment: The school renovated the student life square, planned a internet-famous campus restaurant and added container internet-famous check-in points.

Employment Services: The school adopts the "Qiduo.net" employment platform and establishes cooperation with 162 high quality units. As a result, the employment rate of the school's graduates far exceeds that of similar institutions in the same province, and reported to the Ministry of Education as a typical case of college employment in Guangxi Province.

Teaching Quality: The school has built 2 high-equipped computer rooms and pre-school education and other advantageous professional training rooms. The school has determined the construction of 4 mixed gold courses: pre-school psychology, accounting basis, etc.

Gansu College (Investment, pending closing)

- Established in 2004 and provides undergraduate education
- Recognized as Advanced Unit of Employment in Ordinary Colleges and Universities in Gansu Province
- The first batch of pilot universities for transformation and development of applied technology universities in Gansu Province
- The key university supported and developed in the "13th five year plan" of Gansu Province
- Ranked No. 1 in patents in independent colleges in the province

Employment achievement highlights:

Over 200 graduates from Gansu College joined Ston Robot（金石機器人）, JNRS（巨能機器人）and other domestic industry-leading enterprises, holding research and development, management and marketing positions, accounting for 50% of the Gansu Province robotics industry talents and of whom two outstanding alumni founded a national high-tech enterprise, respectively.

Recent investments and achievements:

Campus Environment: The school upgrades student apartments, creates 11 student apartment shared areas, and improves food safety in campus restaurants.

Employment and Entrepreneurship: For the 2019/2020 academic year, the school hosted nearly 600 job fairs, established more than 30 employment and internship bases. The school has achieved fruitful results in employment and entrepreneurship. In 2020, the school ranked first in the employment rate of undergraduate institutions in Gansu province, surpassing Lanzhou University and other well-known public institutions, and has won 163 awards in innovation and entrepreneurship competitions in the past two years.

School-enterprise Cooperation: The school newly added 25 experimental training rooms to build new modern laboratories suitable for the development of new science and new liberal arts such as mechanical design automation and e-commerce.

PROSPECTS

Implementation of the "Two-wheel Driven" Business Strategy

The Company will continue to implement the two-wheel driven development strategy of "organic growth + value investment": internally, it provides high quality services with competitive prices; externally, it carries out value investment by acquiring or self-founding colleges in areas with large growth potential. The Group will intensify its value investment to promote the implementation of the "Two-wheel Driven" business strategy and thereby achieve the "inclusive symbiosis with organic growth and value investment".

Organic growth

Over the past three years, the Group has maintained a leading organic growth rate in the industry and still has plenty of room for growth. In the future, on the one hand, the Group will further improve the employment quality, enhance students' experience and improve the campus environment to strengthen revenue from its main business; on the other hand, the Group will continue to exploit potential resources in campuses to expand revenue from logistics commerce, examination and training, and integration of industry and teaching and other non-principal businesses. Meanwhile, the Group will fully leverage on its advantage in terms of collectivized school operation to integrate newly acquired schools, unleash the potentials and improve operational efficiency and profitability.

Growth from value investment

In terms of growth from value investment, the Group will continue to focus on higher education, adhere to its value investment philosophy, carry on its "robust acquisition + self-founding" to expand its school reach in areas with low gross enrollment rates, various sources of students, and huge future development potential. In the future, the Group will focus on the national strategies of "the coordinated development of the Beijing-Tianjin-Hebei Region, the development of the Yangtze River Economic Belt, the construction of the Guangdong-Hong Kong-Macao Greater Bay Area and the construction of an economic circle covering the western cities of Chengdu and Chongqing", accelerating the layout of the above-mentioned key regions to tie in with the national economic development and support education to serve the local economy. Meanwhile, the Group will promote the self-founding and acquisition. In the future, we initially plan to self-found or acquire one to two schools yearly.

Investment Highlights

The Group continues to benefit from favourable industry policies

The Group continues to benefit from favorable industry policies, including: expansion of higher vocational education by million, expansion of enrollment for top-up programmes, for junior college to bachelor degree transfer programmes, promotion of government-subsidized vocational skills training, and active encouragement of private higher education. The Group upholds application-oriented education and will continue to implement the direction of application-oriented education and continue to benefit from favourable policies.

Continued strong organic growth and maintaining industry leadership

The Group has a leading position in organic growth rate in the industry. In the past three years, the Group's organic revenue growth rate has maintained a leading position in the industry. For 2020/2021 academic year, the average tuition fee for all schools is RMB11,475, which is much lower than the market average. At the same time, as compared to the Group's schools, Central China School and Gansu College have more room for growth in average tuition fee than Northeast School and Yunnan School. Henan School and Guangxi Schools also have more growth room in average tuition fee than Guizhou School. The Group insists on pursuing high quality development with competitive prices and high quality, and will continue to achieve strong growth in organic revenue in the future.

Strong collectivized management capability

At present, the number of enrolled students is over 125,600, ranking third among the PRC higher education sector in the Hong Kong stock market. In the 2020/2021 academic year, the Group's total number of enrolled students and average tuition fees increased by more than 15% year-on-year in terms of organic growth rate. Meanwhile, the Group has demonstrated a strong post-investment management capability, and the post-investment net profit of the acquired schools increased significantly.

Robust value investment strategy

The Group presciently invested in 5 colleges and universities before and after the listing, generating significant first-mover advantage, with average acquisition cost per student being far lower than current market price. In 2020, the Group will steadily implement its strategy by acquiring further minority equity in Henan School and Guangxi Schools at a cost much lower than the current market price and has accumulated extensive acquisition experience and restarted the evaluation of potential external acquisition projects. In the future, the Group will promote both self-founding and acquisitions, and initially plans to self-found or acquire one to two schools yearly in the future.

Continue to improve with high quality, with huge room for valuation improvement

With the proven development strategy of "organic growth + value investment", the Group is leading the industry in terms of organic growth rate, accelerating the evaluation of investment targets, and pushing forward the "Two-wheel Driven" business strategy, which will continue to improve the performance in the future with high quality.

Minimising the Impact of Novel Coronavirus (COVID-19) in a Timely Manner

In response to the COVID-19 epidemic, the Group responded quickly and deployed rigorously to ensure the safety of teachers and students. The Group and its schools have adopted a series of preventive measures, including strengthening disinfection and cleaning of campuses and timely declaration of the health conditions of teachers and students, and all teachers and students have not been involved in any outbreak-related incidents. At the same time, the Group implemented online education platform to provide teaching services, and such online teaching is made in accordance with the originally determined teaching plan and starting time, thus fully completing the teaching mission of the spring semester.

At present, the epidemic has been effectively controlled in Mainland China. Teachers and students of all schools had gone successively back to their respective campus starting in May, and some of schools had provided supplementary lessons during the summer holiday. For the new academic year of 2020/21, all schools of the Group have commenced school term in September and October.

In view of the effective actions taken by the Group to mitigate such risks, except for the one-off refund of accommodation fees to students in accordance with the relevant guidelines issued by the competent education authorities in the PRC, and rental waiver to certain canteen and shop tenants, the operating results and financial performance of the Group have not been materially and adversely affected by the COVID-19 epidemic and the Group has maintained steady and sustainable growth in its business. The Group will continue to closely monitor the development of the epidemic, continuously assess the potential impact and strive to minimize such risk.

EVENTS AFTER THE REPORTING PERIOD

Issue of U.S.$100,000,000 Convertible Bonds Due 2021

On 16 September 2020, Goldensep Investment Company Limited, a direct wholly-owned subsidiary of the Company, as the issuer, the Company, as the guarantor, and Credit Suisse (Hong Kong) Limited, as the sole lead manager entered into a convertible bonds subscription agreement, pursuant to which, the issuer agreed to issue 1.0% guaranteed convertible bonds due 2021, the Company agreed to guarantee payment of all sums payable by the issuer in accordance with the terms and conditions in relation to such convertible bonds, and the sole lead manager agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the convertible bonds in the aggregate principal amount of U.S.$100,000,000 at an initial conversion price of HK$6.313 per Share (subject to adjustments), representing (i) approximately 8.84% premium over the closing price of the Shares as quoted on the Stock Exchange on 16 September 2020 (being the last trading day on which the convertible bonds subscription agreement was signed); and (ii) approximately 14.57% premium over the five-day average closing price of the Shares over the five consecutive trading days up to and including 16 September 2020.

Assuming full conversion of the convertible bonds at the initial conversion price of HK$6.313 per Share, the convertible bonds will be convertible into approximately 122,764,137 Shares (subject to adjustments), representing approximately 7.96% of the then issued share capital of the Company and approximately 7.38% of the issued share capital of the Company as enlarged by the issue of all conversion shares but before the completion of the subscription. The conversion shares will be allotted and issued by the Company pursuant to the general mandate. The conversion shares, upon issue, will rank pari passu in all respects with the Shares then in issue on the relevant registration date.

The net proceeds from the issue of the convertible bonds, after deduction of commission and expenses, were approximately U.S.$99 million. The Company intended to use the estimated net proceeds from the issue of the convertible bonds primarily for, among others, (a) further investments in existing schools to improve quality and efficiency; (b) potential acquisitions of new schools, especially in the Greater-bay, Sichuan-Chongqing and certain other areas; and (c) general corporate purposes.

The issuance was completed on 30 September 2020. Details of the issuance of convertible bonds are set out in the Company's announcement dated 17 September 2020. As at the date of this announcement, the use of proceeds was consistent with that as disclosed in the aforesaid announcement, and further details will be disclosed in the annual report of the Company.

Placing of Existing Shares and Top-Up Subscription of New Shares

On 16 September 2020, the Company, Aspire Education Management, as the seller, and The Bank of New York Mellon, London Branch, as the placing agent entered into a placing and subscription agreement, pursuant to which, the placing agent agreed to place a total of 44,000,000 placing shares at a price of HK$5.35 per Share owned by Aspire Education Management to not less than six independent placees and Aspire Education Management agreed to subscribe for, and the Company agreed to issue, the 44,000,000 subscription shares at HK$5.35 per Share under the general mandate. The placing price represented (i) a discount of approximately 7.76% to the closing price of HK$5.80 per Share as quoted on the Stock Exchange on 16 September 2020; (ii) a discount of approximately 2.90% to the average closing price of approximately HK$5.51 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including 16 September 2020; and (iii) a discount of approximately 2.37% to the average closing price of approximately HK$5.48 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days prior to and including 16 September 2020.

The placing shares represented approximately 2.85% of the then issued share capital of the Company and approximately 2.78% of the issued share capital of the Company as enlarged by the subscription (assuming that there is no change in the issued share capital of the Company from on 17 September 2020 to the completion of the subscription (including no convertible bonds are converted into ordinary shares) save for the issue of the subscription shares and the placing shares are placed in full).

The net proceeds from the subscription were approximately HK$232.79 million. The Company intended to use the estimated net proceeds of the subscription primarily for (a) further investments in existing schools to improve quality and efficiency; (b) potential acquisitions of new schools, especially in the Greater-bay, Sichuan-Chongqing and certain other areas; and (c) general corporate purposes.

Such top-up placing was completed and accordingly 44,000,000 subscription shares were allotted and issued by the Company to Aspire Education Management on 25 September 2020.

Details of the top-up placing are set out in the Company's announcement dated 17 September 2020. As at the date of this announcement, the use of proceeds was consistent with that as disclosed in the aforesaid announcement, and further details will be disclosed in the annual report of the Company.

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders.

During the eight months ended 31 August 2020, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors in March 2017.

Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding directors' securities transactions for the eight months ended 31 August 2020.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the eight months ended 31 August 2020.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has reviewed and discussed with the management in relation to the accounting principles and practices adopted by the Company, the internal controls and financial report matters, and the Company's policies and practices on corporate governance. The annual results has been reviewed by the Audit Committee.

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS

The financial information for the eight months ended 31 August 2020 (not including the unaudited pro forma figures for the year ended 31 August 2020 and 31 August 2019) set out in this announcement does not constitute the Group's audited accounts for the eight months ended 31 August 2020, but represents an extract from the consolidated financial statements for the eight months ended 31 August 2020 which have been audited by the auditor of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The financial information for the eight months ended 31 August 2020 has been audited by the Audit Committee and approved by the Board.

EDUCATION POLICY TREND

Further expansion of higher vocational education by 2.0 million during this year and the next

Following the expansion of higher vocational education by 1.0 million in 2019, the 2020 Government Work Report further proposed an additional expansion of 2.0 million student enrollments at higher vocational colleges this year and the next, together with the previously announced expansion of postgraduate and junior college to bachelor degree transfer programmes, demonstrating the recoginition of the past achievements in talent cultivation in higher vocational education. The higher vocational education has played a more important role in the process of future economic and social development.

Government-subsidized vocational skills training

The 2020 Government Work Report proposes to subsidize training to stabilize job market, with an aim to achieve more than 35 million person-times of vocational skills training this year and the next, which is a further enhancement measure to enable more workers to develop skills and get good jobs, following the Action Plan for Upgrading Vocational Skills (2019-2021)（《職業技能提升行動方案(2019-2021年）》）released in May 2019.

Accelerating the conversion of independent colleges into independently organized private undergraduate universities

In May 2020, the Ministry of Education issued the Implementation Plan for Accelerating the Conversion of Independent Colleges (《關於加快推進獨立學院轉設工作的實施方案》), which provided that independent colleges are required to develop a work plan for the conversion by the end of 2020, while promoting a number of independent colleges to achieve the conversion. In the plan, it is particularly specified that for those independent colleges having the established school operation agreement, a clear delineation of rights and obligations between the school operation entities, the school operation conditions to meet the undergraduate universities establishment standards, they are permitted to convert into an independently organized private undergraduate universities.

Property is permitted to be pledged as collateral, loosening the financing channels for for-profit private schools

On 28 May 2020, the Civil Code of the People's Republic of China (《中華人民共和國民法典》) was approved at the Third Session of the 13th National People's Congress, according to which, profit-making legal persons, including schools, may pledge their own property as collateral. Compared to the current provisions of the Guarantee Law (《擔保法》), the Civil Code has made an adjustment to the issue of property pledge by distinguishing the different attributes of legal persons on a practical basis. For private education, a mortgage can be placed on educational facilities of for-profit schools, which means that the financing channels of for-profit private schools are expanded, and this will play an important role in promoting the development of private schools and private education.

Vocational education continues to enjoy the favourable enrollment policy

On 16 September 2020, the Ministry of Education and other eight departments issued the Notice on Circulation of the "Action Plan for Vocational Education Teaching Improvement (2020-2023)" (《職業教育提質培優行動計劃(2020–2023年)》). Such action plan formulated 10 tasks and 27 initiatives for the implementation of the "Proposals for Implementing Vocational Education Reform" (《職業教育改革實施方案》), in which it is clearly provided that there is no restriction on the proportion of middle-grade graduates enrolled for higher vocational colleges, the moderate expansion of the enrollment plan for junior college to bachelor degree transfer programmes is permitted, encouraging social persons such as retired military, laid-off workers, migrant workers and qualified farmers to enrol for higher vocational colleges and exempting them from cultural examinations, and encouraging joint enrollment by higher vocational colleges and those enterprises integrating industry and education. These measures show that the State supports the enrollment of vocational education in many ways, and the vocational education will continue to enjoy the favourable enrollment policy. This will promote the continuous growth in the number of students in vocational colleges, thus further consolidating the position of vocational education in the national education system.

Favourable policies to facilitate the development of private education

In November 2020, the Ministry of Education published an article proposing that 1. local governments should enjoy greater autonomy in the administration of private educational services, and that they could set the registration time and taxes for for-profit and non-profit schools according to the actual situation, instead of taking the centralized administration mode. 2. legal connected transactions are permitted. 3. private education is actively encouraged and tax concessions and other supports are provided for profit-earning private schools.

Recent developments of regulatory framework

(I) Classified Registration

According to the Several Opinions of the State Council on Encouraging Social Power to Set up Education to Promote the Healthy Development of Private Education (29 December 2016), a classification registration and management system shall be applicable to private schools, and private school sponsors can choose to run non-profit or for-profit private schools. The revised Laws for Promoting Private Education of the PRC (implemented on 1 September 2017) also promulgated the same provisions.

According to the Implemental Rules on Private School Registration (30 December 2016), if an existing private school chooses to register as a non-profit private school, it should modify its article of association, continue to run the school and complete new registration procedures in accordance with relevant laws. If it chooses to register as a for-profit private school, it should conduct financial settlement, clarify the ownership of school land, school premises, school accumulation, and pay related taxes and fees, obtain a new permit in running a school, re-register and continue the operations for education.

In order to further implement the above requirements, government and relevant competent departments in region where the Group runs schools have successively issued supporting measures, including (1) Notice of the Five Departments including Education Department of Yunnan Province on Steady and Orderly Promotion of Classified Registration and Management of Private Schools (12 June 2019); (2) Implementation Opinions issued by the People's Government of Guizhou Province on Supporting and Regulating Social Forces to Set up Education to Promote the Healthy Development of Private Education (3 August 2018), Measures for the Implementation of Classified Examination and Approval of Registration and Supervision and Management of Private Schools in Guizhou Province (Trial) (11 June 2019); (3) Implementation Opinions issued by Heilongjiang Province on Encouraging Social Powers to Set up Education to Promote the Healthy Development of Private Education, Measures for the Implementation of Classified Registration of Private Schools in Heilongjiang Province, and Measures for the Supervision and Administration of for-profit Private Schools in Heilongjiang Province (26 February 2019); (4) Implementation Opinions of the People's Government of Gansu Province on Further Promoting the Healthy Development of Private Education (8 November 2017), Measures for the Implementation of Classified Registration of Private Schools in Gansu Province (15 November 2018); (5) Implementation Opinions issued by the People's Government of Guangxi Zhuang Autonomous Region on Encouraging Social Powers to Set up Education to Promote the Healthy Development of Private Education (2 July 2018), Measures for the Implementation of Classified Registration of Private Schools in Guangxi Zhuang Autonomous Region

(10 October 2018), Measures for the Implementation of Supervision and Administration offor-profit Private Schools in Guangxi Zhuang Autonomous Region (16 October 2018); (6) Implementation Opinions issued by the People's Government of Hubei Province on Encouraging Social Powers to Set up Education to Promote the Healthy Development of Private Education (20 December 2017); (7) Implementation Opinions issued by the People's Government of Henan Province on Encouraging Social Powers to Set up Education to Promote the Healthy Development of Private Education (2 February 2018).

The above local regulations provide a framework procedure for the classification and registration of existing private schools in relevant provinces as for-profit private schools or non-profit private schools, but do not further specify the process of classification and registration, for example, (1) the specific procedures for a school to be registered as a for-profit or non-profit school, and (2) the various preferential taxes and land use policies that can be enjoyed by for-profit and non-profit schools. As of the date of this announcement, the Company has not commenced the process of classification and registration for schools under the Group. Since there are certain uncertainties in the interpretation and application of the above requirements, the uncertainties are in respect of when the private schools under the Group can complete the classified registration, whether the relevant taxes and fees will need to be paid in accordance with local supporting rules in the process of classified registration in the future, and what supporting policies provided by government regarding tax and land use they will enjoy.

(II) The MOJ Draft for Comments

On 10 August 2018, the Ministry of Justice issued the Regulations for the Implementation of the Law on the Promotion of Private Education of the People's Republic of China (Revised Draft) (the Draft for Examination and Approval) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) (the "**MOJ Draft for Comments**"), to solicit public opinions.

If the MOJ Draft for Comments is approved in the current manner and takes effect, and if our mode of running a school is identified as centralized school management mode and our Structured Contracts is identified as "contractual agreements" according to Article 12 of the MOJ Draft for Comments, we may need to register the subordinate private colleges and universities as for-profit private schools. In addition, as we can no longer acquire or control non-profit private schools by means of franchising or contractual agreements, our acquisition scope may be limited, this provision may have an impact on our expansion strategy. In addition, our Structured Contracts may be treated as connected transactions.

However, there are still uncertainties as to whether the MOJ Draft for Comments will be adopted in its current form and how it will be interpreted and implemented. We cannot predict with confidence the impact of the laws or regulations related to the implementation of the Private Education Promotion Law of the PRC on our business, financial condition and results of operations (if any) in the future at this stage.

As confirmed by our PRC Legal Advisors, the Company hereby informs the Shareholders and investors that the MOJ Draft for Comments is still in the negotiation stage and has not been issued or implemented in China. The Company will continue to follow up the development of the MOJ Draft for Comments and relevant laws and regulations.

(III) Foreign Investment Law

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) ("**Foreign Investment Law**") approved by the National People's Congress on 15 March 2019 has been implemented since 1 January 2020, and has become the basic law for foreign investment in China. According to this law, existing foreign-invested enterprises may maintain their existing organization structure within five years from the effective date of the Foreign Investment Law. On 26 December 2019, the State Council issued the Implementation Regulations of the Foreign Investment Law of the PRC ("**Implementation Regulations**"), which also came into effect on 1 January 2020, aiming to implement the legislative principles and purposes of the Foreign Investment Law.

The Foreign Investment Law clearly specifies three forms of foreign investment, but neither the Foreign Investment Law nor the Implementing Regulations explicitly stipulate contractual agreements as a form of foreign investment. As confirmed by our PRC legal advisors, as the Foreign Investment Law and Implementation Regulations do not define contractual agreements as a form of foreign investment, if future laws, administrative regulations,and regulations of the State Council do not include contractual agreements as a form of foreign investment, the Structured Contracts as a whole and the agreements constituting the Structured Contracts will not be affected, and will continue to be legally valid, effective and binding on the parties. However, if future laws, administrative regulations, and regulations of the State Council stipulate contractual agreements as one of the ways of foreign investment, the Group may need to take relevant measures in accordance with the requirements of the laws, regulations and regulations of the State Council at that time. There will be uncertainty as to whether we can complete these measures in a timely manner or at all. Failure to take appropriate measures in a timely manner to address any of the compliance requirements in the above provisions may have a significant effect on our current group structure, corporate governance and business operations.

As of the date of this announcement, the Company's operations have not been affected by the Foreign Investment Law.

The Board will continue to monitor any updates regarding the foreign investment and seek guidance from our PRC Legal Advisors to ensure that the Company meets all relevant laws and regulations in China.

(IV) Independent Colleges Conversions

In May 2020, the Ministry of Education issued the "Implementation Plan on Accelerating Promotion of the Independent Colleges Conversions" (《關於加快推進獨立學院轉設工作的實施方案》), which requires making the independent colleges conversions as the top priority of the establishment of universities, and actively creating conditions to promote the completion of conversions. By the end of 2020, all independent colleges shall formulate the conversions work plans, and at the same time promote certain independent colleges to complete their conversions. For the independent colleges conversions, it shall perform financial settlement procedures, amend and perfect the articles of association in accordance with the relevant provisions of the Private Education Promotion Law, and then submit an application to the provincial education administrative department upon the approval of the independent college's board of directors (board of management), and after reviewed by experts in the province, publicity and other procedures, it will be reported by the provincial people's government to the Ministry of Education for approval.

As of the date of this announcement, the conversion of Gansu College and Central China School of the Group is in smooth progress.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.xingaojiao.com). The annual report for the reporting period containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

EIGHT MONTHS ENDED 31 AUGUST 2020

	Notes	**Eight months ended 31 August 2020** *RMB'000*	Year ended 31 December 2019 *RMB'000*
REVENUE	*4*	**721,644**	1,089,221
Cost of sales		**(432,997)**	(546,582)
Gross profit		**288,647**	542,639
Other income and gains	*4*	**74,678**	163,090
Selling and distribution expenses		**(10,476)**	(13,957)
Administrative expenses		**(42,308)**	(84,891)
Other expenses		**(10,512)**	(27,208)
Finance costs	*5*	**(76,388)**	(93,806)
PROFIT BEFORE TAX	*6*	**223,641**	485,867
Income tax expense	*7*	**(26,546)**	(55,513)
PROFIT FOR THE PERIOD/YEAR		**197,095**	430,354
Attributable to:			
Owners of the parent		**174,909**	386,446
Non-controlling interests		**22,186**	43,908
		197,095	430,354
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic (RMB)			
– For profit for the period/year		**0.11**	0.26
Diluted (RMB)			
– For profit for the period/year		**0.11**	0.26

	Eight months ended 31 August 2020 *RMB'000*	Year ended 31 December 2019 *RMB'000*
PROFIT FOR THE PERIOD/YEAR	**197,095**	430,354
OTHER COMPREHENSIVE INCOME/(LOSS)		
OTHER COMPREHENSIVE INCOME/(LOSS) THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:		
Exchange differences on translation of financial statements	**2,696**	(12,403)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**2,696**	(12,403)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD/YEAR, NET OF TAX	**2,696**	(12,403)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	**199,791**	417,951
Attributable to:		
Owners of the parent	**177,605**	374,043
Non-controlling interests	**22,186**	43,908
	199,791	417,951

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 AUGUST 2020

	Notes	31 August 2020 RMB'000	31 December 2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,100,669**	3,089,932
Investment properties		**213,693**	210,292
Right-of-use assets		**467,968**	477,036
Goodwill		**241,732**	225,379
Other intangible assets		**23,479**	21,223
Other non-current assets	*10*	**671,507**	825,766
Total non-current assets		**4,719,048**	4,849,628
CURRENT ASSETS			
Prepayments, other receivables and other assets	*11*	**139,510**	104,004
Financial assets at fair value through profit or loss	*12*	**118,041**	–
Pledged deposits		**271,796**	380,832
Time deposits		**–**	107,500
Cash and cash equivalents		**608,234**	559,007
Other current assets		**–**	394
Total current assets		**1,137,581**	1,151,737
CURRENT LIABILITIES			
Deferred revenue	*13*	**274,029**	725,363
Other payables and accruals	*14*	**1,019,916**	645,379
Interest-bearing bank and other borrowings		**728,004**	698,877
Deferred income		**9,185**	10,622
Tax payable		**26,799**	44,259
Total current liabilities		**2,057,933**	2,124,500
NET CURRENT LIABILITIES		**(920,352)**	(972,763)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,798,696**	3,876,865
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**1,167,794**	787,952
Deferred income		**32,589**	35,698
Deferred tax liabilities		**95,588**	101,559
Total non-current liabilities		**1,295,971**	925,209
Net assets		**2,502,725**	2,951,656

	31 August 2020 *RMB'000*	31 December 2019 *RMB'000*
EQUITY		
Equity attributable to owners of the parent		
Share capital	**1,056**	1,056
Reserves	**2,319,069**	2,484,475
	2,320,125	2,485,531
Non-controlling interests	**182,600**	466,125
Total equity	**2,502,725**	2,951,656

NOTES TO FINANCIAL STATEMENTS

EIGHT MONTHS ENDED 31 AUGUST 2020

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands on 8 July 2016. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 April 2017.

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

2.1 BASIS OF PREPARATION

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

The Group recorded net current liabilities of RMB920,352,000 as at 31 August 2020 (31 December 2019: RMB972,763,000).

In view of the net current liabilities position, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Having considered the cash inflow from operations, the Directors are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. To mitigate any liquidity issues that might be faced by the Group, the Group has obtained adequate banking facilities from reputable financial institutions to meet its obligations as and when they fall due.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the financial statements.

As set out in the announcement of the Company issued on 29 July 2020, the financial year end date of the Company and the Group has been changed from 31 December to 31 August to align the financial year end date of the Group with the academic year of the schools operated by the Group in the PRC, which ends in August each year. Accordingly, the current accounting period covers a period of eight months from 1 January 2020 to 31 August 2020. The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a period of twelve months from 1 January 2019 to 31 December 2019 are therefore not entirely comparable with those of the current period.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

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

(a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. During the period ended 31 August 2020, no payment for the leases of the Group's office buildings has been reduced or waived by the lessors as a result of the covid-19 pandemic and there are no other changes to the terms of the leases.

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

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

Information about major customers

No revenue from sales to a single customer amounted to 10% or more of the total revenue of the Group during the period.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Eight months ended 31 August 2020 *RMB'000*	Year ended 31 December 2019 *RMB'000*
Revenue from contracts with customers		
Tuition fees	**670,817**	984,266
Boarding fees	**50,827**	104,955
	721,644	1,089,221

Revenue from contracts with customers

(i) Disaggregated revenue information

	Eight months ended 31 August 2020 *RMB'000*	Year ended 31 December 2019 *RMB'000*
Type of services		
Education services	**721,644**	1,089,221
Geographical markets		
Mainland China	**721,644**	1,089,221
Timing of revenue recognition		
Services transferred over time	**721,644**	1,089,221

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

	Eight months ended 31 August 2020 *RMB'000*	Year ended 31 December 2019 *RMB'000*
Revenue recognised that was included in deferred revenue at the beginning of the reporting period:		
Education services	**725,363**	472,928

(ii) Performance obligations

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

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

	2020 *RMB'000*	2019 *RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**274,029**	725,363

	Eight months ended 31 August 2020 *RMB'000*	Year ended 31 December 2019 *RMB'000*
Other income and gains		
Service income	**7,596**	70,936
Bank interest income	**9,837**	10,169
Other interest income from financial assets at fair value through profit or loss	**1,746**	1,582
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	**26,039**	47,008
Government grants	**6,876**	18,467
Catering income	**–**	12,715
Reversal of impairment allowance *(note (i))*	**19,774**	–
Others	**2,810**	2,213
	74,678	163,090

Note (i): As announced by the Company during the period ended 31 August 2020, the Group has terminated its proposed acquisition of Xinjiang Institute of Finance and Economics ("Xinjiang School"), and entered into a settlement agreement with the counterparties in April 2020, pursuant to which an amount of RMB136,792,000 was mutually agreed as the final settlement sum and duly received by the Company during the period. With the receipts of the settlement sum of RMB136,792,000, the Group recognised a write-off amount of RMB11,201,000 being the differential of the original prepayment amount of RMB147,993,000 and the final settlement sum of RMB136,792,000, and reversed the provision of impairment allowance as previously recognised at RMB30,975,000, that resulted in a net reversal of impairment allowance as other income of RMB19,774,000 during the period ended 31 August 2020.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Eight months ended 31 August 2020 *RMB'000*	Year ended 31 December 2019 *RMB'000*
Interest on bank loans and other loans	**75,983**	106,313
Interest on lease liabilities	**405**	575
Total interest expense on financial liabilities not at fair value through profit or loss	**76,388**	106,888
Less: Interest capitalised	**–**	(13,082)
	76,388	93,806

6. PROFIT BEFORE TAX

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

	Note	**Eight months ended 31 August 2020** *RMB'000*	Year ended 31 December 2019 *RMB'000*
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**271,119**	326,606
Equity-settled share option expense		**1,770**	2,855
Pension scheme contributions (defined contribution scheme)		**8,182**	22,432
		281,071	351,893
Depreciation of property, plant and equipment		**81,947**	111,991
Depreciation of investment properties		**3,555**	4,365
Depreciation of right-of-use assets		**12,733**	13,957
Amortisation of other intangible assets		**4,237**	6,892
Rental income	*4*	**(26,039)**	(47,008)
Government grants released		**(6,876)**	(18,467)
Lease payments not included in the measurement of lease liabilities		**101**	1,766
Auditor's remuneration		**4,500**	4,500
Bank interest income	*4*	**(9,837)**	(10,169)
Foreign exchange differences, net		**1,985**	2,377
Impairment allowance of prepayments, other receivables and other assets		**2,094**	2,171
Reversal of impairment allowance of prepayment on investments	*4*	**(19,774)**	–
Loss on disposal of items of property, plant and equipment		**134**	581

7. INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period.

According to relevant provisions of Implementation Rules for the Law for Promoting Private Education (the "Implementation Rules"), private schools, whether requiring reasonable returns or not, may enjoy a preferential tax treatment. The Implementation Rules provide that the private schools for which the 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, and relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. To date, however, no separate policies, regulations or rules have been introduced by the authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the confirmation obtained therefrom previously, Yunnan School, Guizhou School, Northeast School, Guangxi Schools and Central China School (the "PRC Private Schools") have historically enjoyed the preferential tax treatment since their establishment. There was no corporate income tax imposed on the income from the provision of formal educational services of the schools of the Group. As a result, no income tax expense was recognised for the income from the provision of formal educational services by the PRC Private Schools during the period. The PRC Private Schools have not yet elected to be for-profit or not-for-profit schools. According to the relevant in-charge tax bureau, since the relevant tax policy for schools that have not yet elected to be for-profit or not-for-profit is not yet announced and if the school nature has not yet been changed, the schools could follow previous corporate income tax exemption treatment for income from provision of formal educational services.

The non-academic education services provided by the schools are subject to corporate income tax at a rate of 25%.

According to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies, certain qualifying subsidiaries of the Group that are located in Yunnan, Guizhou, Hubei Province and Tibet Autonomous Region engaged in encouraged business are entitled to a preferential corporate income tax rate of 15%. Other entities of the Group established in Mainland China are subject to corporate income tax at a rate of 25% on their respective taxable income.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Eight months ended 31 August 2020 ***RMB'000***	Year ended 31 December 2019 *RMB'000*
Current		
Charge for the period/year	**32,697**	44,922
Deferred	**(6,151)**	10,591
Total tax charge for the period/year	**26,546**	55,513

8. DIVIDENDS

	Eight months ended 31 August 2020 ***RMB'000***	Year ended 31 December 2019 *RMB'000*
Interim –RMB0.042 (2019: RMB0.036) per ordinary share	**64,726**	55,480
Proposed final – Nil (2019: RMB0.032) per ordinary share	**–**	49,315
	64,726	104,795

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,541,108,486 (2019: 1,509,016,667) in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	Eight months ended 31 August 2020 *RMB'000*	Year ended 31 December 2019 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	**174,909**	386,446

	Number of shares	
	Eight months ended 31 August 2020	Year ended 31 December 2019
Shares		
Weighted average number of ordinary shares in issue during the period/year used in the basic earnings per share calculation	**1,541,108,486**	1,509,016,667
Effect of dilution – weighted average number of ordinary shares:		
Share options	**437,462**	–*
	1,541,545,948	1,509,016,667

* No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2019 in respect of a dilution as the exercise prices of the Company's outstanding share options were higher than the average market prices for the Company's shares during the year.

10. OTHER NON-CURRENT ASSETS

	31 August 2020 *RMB'000*	31 December 2019 *RMB'000*
Prepayment for investments	**472,355**	696,006
Prepayment for land use rights	**172,368**	129,177
Prepayment for other intangible assets	**528**	647
Prepayment for property, plant and equipment	**26,256**	30,911
	671,507	856,741
Impairment allowance	**–**	(30,975)
	671,507	825,766

Prepayments mainly represent down payments for investments of a new school.

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	31 August 2020 *RMB'000*	31 December 2019 *RMB'000*
Prepaid expenses	**2,100**	8,779
Advance and other receivables	**78,168**	46,078
Staff advances	**2,408**	3,073
Deposits and other miscellaneous receivables	**56,834**	46,074
	139,510	104,004

The amounts are interest-free and are not secured with collateral.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 August 2020 *RMB'000*	31 December 2019 *RMB'000*
Other unlisted investments, at fair value	**118,041**	–

The above unlisted investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

13. DEFERRED REVENUE

Details of contract liabilities are as follows:

	31 August 2020 *RMB'000*	31 December 2019 *RMB'000*
Tuition fees	**259,206**	646,353
Boarding fees	**14,823**	79,010
Total contract liabilities	**274,029**	725,363

Contract liabilities include short-term advances received from students in relation to the proportionate service not yet provided. The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable programme. Students are entitled to a refund of the payment in relation to the proportionate service not yet provided.

The decrease in contract liabilities in 31 August 2020 and 31 December 2019 was mainly due to the recognition of tuition and boarding fees over the academic year.

14. OTHER PAYABLES AND ACCRUALS

	31 August 2020 *RMB'000*	31 December 2019 *RMB'000*
Payables for purchase of property, plant and equipment	**90,342**	127,143
Accrued bonuses and social insurance	**107,492**	107,888
Miscellaneous expenses received from students *(note (i))*	**102,387**	125,895
Deposits	**35,640**	25,024
Payables to cooperative schools	**12,656**	28,384
Advance from lessee	**34,931**	44,768
Government subsidies payable to students and teachers	**55,286**	14,504
Consideration payable for acquisitions *(note (ii))*	**289,800**	80,000
Dividend payables	**64,256**	–
Other payables	**182,429**	79,362
Accrued expenses	**12,244**	12,411
Boarding fees refundable to students	**32,453**	–
	1,019,916	645,379

The above balances are unsecured and non-interest-bearing. The carrying amount of other payables and accruals at the end of the period/year approximated to their fair value due to their short term maturity.

Note (i): The amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

Note (ii): The amount mainly includes consideration payable for the acquisition of non-controlling interests in Henan School amounting to RMB239,800,000 in accordance with the acquisition agreement.

15. BUSINESS COMBINATION

During the period ended 31 August 2020, the Group acquired the entire interests of Beijing Fangzhi Yuanlue Enterprise Management Co,. Ltd. ("Beijing Fangzhi") in June 2020 from two independent third parties at a total consideration of RMB38,600,000. Beijing Fangzhi was the sole shareholder of Songming Zhonghe Enterprise Management Consulting Co., Ltd. ("Songming Zhonghe"), which is the school sponsor of Yunnan Einsun Science and Technology College ("Yunnan Vocational School") and Kunming Einsun Science & Technology Vocational College ("Kunming Einsun"). Apart from Yunnan Vocational School, there has been no business operation for Beijing Fangzhi, Songming Zhonghe and Kunming Einsun. The acquisition was accounted for using the acquisition method. The purchase consideration was settled in the form of cash in June 2020.

The acquisition is part of the Group's business strategy to expand into the training business sector and Yunnan Vocational School is a vocational education and training institution, providing accounting, IT and other training services. For the purpose of acquisition of Yunnan Vocational School, the Group engaged an external independent appraiser to perform the valuation with the identification and determination of fair values to be assigned to the acquiree's assets and liabilities as at the acquisition date.

Yunnan Vocational School

The fair values of the identifiable assets and liabilities of Yunnan Vocational School as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Property, plant and equipment	3,015
Right-of-use assets	2,582
Other intangible assets	1,202
Cash and bank balances	1,027
Trade receivables	21,404
Prepayments, other receivables and other assets	656
Deferred revenue	(340)
Other payables and accruals	(4,537)
Lease liabilities	(2,582)
Deferred tax liabilities	(180)
Total identifiable net assets at fair value	22,247
Goodwill on acquisition	16,353
Satisfied by cash	38,600

The goodwill recognised is primarily attributed to the expected business synergies arising from the acquisition, which is not separately recognised. The goodwill recognised is not expected to be deductible for income tax purposes.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash consideration paid	(38,600)
Cash and bank balances acquired	1,027
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(37,573)

In accordance with HKFRS 3 (Revised) Business Combinations, the amounts recorded for the acquisition are provisional and are subject to adjustments during the measurement period of not exceeding one year from the acquisition date if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

Since the acquisition, Yunnan Vocational School contributed nil to the Group's revenue; and recognised loss amounted to RMB679,000 to the Group's consolidated profit for the eight months ended 31 August 2020.

Had the combination of Yunnan Vocational School taken place at the beginning of the period, the revenue of the Group for the period would have been RMB721,644,000, and the profit of the Group for the period would have been RMB209,149,000

16. EVENTS AFTER THE REPORTING PERIOD

(1) As per the Company's announcement made on 16 September 2020, the Company and a wholly-owned subsidiary of the Company, Goldensep Investment Company Limited (the "Issuer") entered into a subscription agreement with Credit Suisse (Hong Kong) Limited (the "Manager"), pursuant to which the Issuer has agreed to issue convertible bonds at an aggregate principal amount of U.S.$100,000,000("Convertible Bonds"), and the Company has agreed to guarantee payment of all sums payable by the Issuer in accordance with the terms and conditions in relation to such Convertible Bonds, and the Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Convertible Bonds.

The Convertible Bonds can be converted into fully paid ordinary shares of the Company with a par value of USD0.0001 each at the option of the bondholders. Each bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 10 November 2020 up to the close of business (at the place where the bond certificate evidencing such bond is deposited for conversion) on the date falling ten days prior to 28 September 2021 (the "Maturity Date") (both days inclusive) into fully paid ordinary shares with a par value of USD0.0001 each of the Company at an initial conversion price of HKD6.313 per share. The conversion price is subject to adjustment in the circumstances described under certain terms and conditions. The bonds bear interest on their outstanding principal amount from and including the issue date at the rate of 1.00 per cent per annum, payable in arrears on 30 March 2021 and the Maturity Date.

The issuance was completed on 30 September 2020. Details of the issuance are set out in the Company's announcement dated 17 September 2020.

(2) As per the Company's announcement made on 16 September 2020, the Company, and the Company's corporate shareholder, Aspire Education Management Co., Ltd. (the "Seller") and the Bank of New York Mellon, London Branch (the "Placing Agent") entered into a placing and subscription agreement for an aggregate of 44,000,000 placing shares of the Company, pursuant to which the Seller has agreed to appoint the Placing Agent, and the Placing Agent has agreed to act as the sole agent for the Seller, to procure places to purchase, or failing which to purchase itself, the placing shares at the placing price of HKD5.35 for each placing share.

Pursuant to the placing and subscription agreement, the Seller has conditionally agreed to subscribe as principal for, and the Company has conditionally agreed to issue, the 44,000,000 shares at HKD5.35 each share ("Subscription Shares"). Assuming the 44,000,000 shares are placed in full, the Subscription Shares represent approximately 2.85% of the existing issued share capital of the Company as at the date of this announcement and approximately 2.78% of the issued share capital of the Company as enlarged by the subscription (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the completion of the subscription (including no Convertible Bonds are converted into ordinary shares) save for the issue of the Subscription Shares).

The Company further announced that the placing was completed on 25 September 2020 in accordance with the terms and conditions of the placing and subscription agreement. The net proceeds from the subscription (after deducting all fees, costs and expenses properly incurred in connection with the placing and the subscription) amounted to approximately HKD232.79 million.

(3) As previously reported that the outbreak of COVID-19 in January 2020 has caused certain impact on the education business of the Group, mainly due to domestic travel restrictions and various precautionary measurements undertaken by the respective local authorities which, inter alia, include temporarily closure of schools and delays in classroom commencement during the outbreak period. The Group has put in place certain alternative action plans during the outbreak period, which include implementation of on-line modules and website distance learning activities, postponement of extra lessons in summer vacation and refunds of boarding fees.

Subsequent to the balance sheet date, the Group assessed and concluded that, in view of the implementation of the above-mentioned action plans, there has been limited impact on the financial position of the Group during the period from January 2020 and up to the date of the report. The Group will keep continuous attention on the development of COVID-19 situation and react actively to its impacts on the operation and financial position of the Group, and in the event that there are any significant financial impacts, the Company will release further announcement as and when appropriate, and reflect it in the Group's 2021 interim and annual financial statements.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

"Aspire Education Management"	Aspire Education Management Co., Ltd., a limited liability company incorporated under the laws of the British Virgin Islands on 15 October 2015 and wholly owned by Mr. Li
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Bei Ai Company"	Beijing Aiyinsheng Education Investment Co., Ltd.*（北京愛因生教育投資有限責任公司）, a limited liability company established under the laws of the PRC on 16 October 2012, and wholly owned by Yun Ai Group. Bei Ai Company will act as the school sponsor of the Gansu College upon the official establishment of the Gansu College
"Beijing Daai Gaoxue"	Beijing Daai Gaoxue Education Technology Co., Ltd.*（北京大愛高學教育科技有限公司）, a limited liability company established in the PRC on 23 March 2018. It is wholly owned by Yun Ai Group
"Beijing Fangzhi"	Beijing Fangzhi Yuanlue Corporate Management Co., Ltd.*（北京方智遠略企業管理有限公司）, a limited liability company established under the laws of the PRC on 20 April 2020
"Board" or "Board of Directors"	the board of Directors of the Company
"Business Cooperation Agreement (2019)"	the business cooperation agreement to be entered into by and among Huihuang Company, the PRC Consolidated Affiliated Entities and the Registered Shareholders
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"Central China School"	Science and Technology College of Hubei Minzu University*（湖北民族大學科技學院）, an institution of higher education established under the laws of the PRC in 2003. Central China School is a consolidated affiliated entity of the Company
"China" or "PRC"	the People's Republic of China excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan

"Company"	China New Higher Education Group Limited（中國新高教集團有限公司）, an exempted company incorporated in the Cayman Islands with limited liability on 8 July 2016
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Daai Education"	Beijing Daai Shuren Education Consulting Company Limited*（北京大愛樹人教育諮詢有限公司）, a limited liability company established in the PRC on 14 March 2018. It is wholly owned by Yun Ai Group
"Director(s)"	the directors of the Company
"Directors' Powers of Attorney (2019)"	the school directors' power of attorney to be executed by each of the directors of each PRC Operating School
"Enchang Company"	Enshi Autonomous Prefecture Changqing Education Development Co., Ltd.*（恩施自治州常青教育發展有限責任公司）, a limited liability company established under the laws of the PRC on 13 November 2014. It is wholly owned by Yun Ai Group. Enchang Company is the school sponsor of Central China School
"Equity Pledge Agreement (2019)"	the equity pledge agreement entered into by and among the Registered Shareholders, Yun Ai Group and Huihuang Company
"Exclusive Call Option Agreement (2019)"	the exclusive call option agreement to be entered into by and among Huihuang Company, the PRC Consolidated Affiliated Entities and the Registered Shareholders
"Exclusive Technical Service and Management Consultancy Agreement (2019)"	the exclusive technical service and management consultancy agreement to be entered into by and among Huihuang Company and PRC Consolidated Affiliated Entities
"Gansu College"	College of Technology and Engineering*（蘭州理工大學技術工程學院）, an independent institution of higher education established under the laws of the PRC in 2004
"Greenwoods Jia Xin Rui Xuan"	Jia Xin Rui Xuan Tou Zi He Huo Qi Ye (You Xian He Huo)（嘉興瑞軒投資合夥企業（有限合夥））, a limited partnership established under the laws of the PRC

"Group", "we" or "us"	the Company, its subsidiaries, the PRC Operating Schools and the consolidated affiliated entities from time to time, or, where the context so requires in respect of the period before the Company became the holding company of the present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"Guangxi Schools"	together, Guangxi Yinghua International Occupation College*（廣西英華國際職業學院）, Guangxi Qinzhou Yinghua International Occupation and Technology School*（廣西欽州英華國際職業技術學校）and Guangxi Yinghua International Occupation Middle School*（廣西英華國際職業學院附屬中學）. Guangxi Schools are consolidated affiliated entities of the Company
"Guangxi School Sponsor"	Qinzhou Yinghua Datang Education Investment Co., Ltd.（欽州英華大唐教育投資有限公司）, a limited liability company established under the laws of the PRC on 25 August 2017
"Guizhou School"	Guizhou Technology and Business Institute*（貴州工商職業學院）, a private institution of formal higher education established under the laws of the PRC on 3 July 2012, of which the school sponsor's interest is wholly owned by Yun Ai Group and a consolidated affiliated entity of the Company
"Haxuan Company"	Harbin Xuande Technology Co., Ltd.*（哈爾濱軒德科技有限公司）, a limited liability company established under the laws of the PRC on 19 April 2016, and owned as to 73.91% by Yun Ai Group and as to 26.09% by Ningde Company. Haxuan Company is the sole school sponsor of the Northeast School
"Henan Rongyu"	Henan Rongyu Education Consulting Co., Ltd.*（河南榮豫教育諮詢有限公司）, a limited liability company established in the PRC on 2 March 2017, and wholly-owned by Beijing Daai Gaoxue. Henan Rongyu is the school sponsor of the Henan School
"Henan School"	Luoyang Science and Technology Vocational College*（洛陽科技職業學院）, a private institution of formal higher education established under the laws of the PRC in June 2013. Henan School is a consolidated affiliated entity of the Company
"HK$", "Hong Kong dollar(s)", "HKD" or "cents"	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"Huihuang Company"	Tibet Daai Huihuang Information and Technology Co., Ltd.*（西藏大愛輝煌信息科技有限公司）, a limited liability company established on 5 August 2016 under the laws of the PRC, which is a wholly owned subsidiary of the Group
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Loan Agreement (2019)"	a loan agreement to be entered into by and among Huihuang Company, the PRC Operating Schools, and Yun Ai Group
"Mr. Li"	Mr. Li Xiaoxuan（李孝軒）, the founder, one of the controlling shareholders, chairman of the Board and an executive Director of the Company
"MOE"	the Ministry of Education of the PRC
"Ms. Yang"	Ms. Yang Xuqing（楊旭青）, the spouse of Mr. Li
"Northeast School"	Harbin Huade University*（哈爾濱華德學院）, an independent institute established under the laws of the PRC in 2004. Northeast School is a consolidated affiliated entity of the Company
"PRC Consolidated Affiliated Entities"	namely, the School Sponsors and the PRC Operating Schools, each a consolidated affiliated entity of the Company and other investment holding companies which were consolidated to the Group by virtue of the Structured Contracts, as amended from time to time
"PRC Legal Advisors"	Commerce & Finance Law Offices, the Company's Legal advisors as to PRC Laws
"PRC Operating Schools"	the consolidated affiliated entities, namely, Yunnan School, Guizhou School, Henan School, Northeast School, Guangxi Schools and Central China School and other schools which were consolidated to the Group by virtue of the Structured Contracts

"Qinzhou Yinghua"	Qinzhou Yinghua Datang Education Investment Company Limited*（欽州英華大唐教育投資有限公司）, a limited liability company established under the laws of the PRC on 25 August 2017 and wholly owned by Songming Xinju. Qingzhou Yinghua is the school sponsor of the Guangxi Schools
"Registered Shareholders"	the shareholders of Yun Ai Group immediately after the completion of the equity transfer agreement, namely Kunming Paiduipai Economic Information Consultancy Co., Ltd., Kunming Bamupu Technology Co., Ltd., Songming Dexue and Songming Zhongyi Enterprise Management and Consulting Services Co., Ltd.
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"Rongyaojia Company"	Xianfeng Rongyaojia Network Technology Service Center*（咸豐縣榮耀佳網絡科技服務中心）, an investment holding company established in accordance with the laws of the PRC on 13 February 2020
"Rongrui Shangyu Company"	Xianfeng Rongrui Shangyu Network Technology Service Center*（咸豐縣榮睿尚育網絡科技服務中心）, an investment holding company established in accordance with the laws of the PRC on 13 February 2020
"School Sponsors"	the current school sponsors, Yun Ai Group, Henan Rongyu, Haxuan Company, Qinzhou Yinghua, Enchang Company, the future school sponsor, Bei Ai Company, and other school sponsors which were consolidated to the Group by virtue of the Structured Contracts
"School Sponsors' and Directors' Rights Entrustment Agreement (2019)"	the school sponsors' and directors' rights entrustment agreement entered into by and among School Sponsors, the PRC Operating Schools, the relevant directors appointed by the School Sponsors and Huihuang Company
"School Sponsors' Powers of Attorney (2019)"	the school sponsors' power of attorney executed by the School Sponsors in favor of Huihuang Company

"SFO"	Securities and Futures Ordinance
"Share(s)"	ordinary share(s) of US$0.0001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Powers of Attorney (2019)"	the shareholders' power of attorney executed by the Registered Shareholders and Yun Ai Group and other shareholders which were consolidated to the Group by virtue of the Structured Contracts in favor of Huihuang Company
"Shareholders' Rights Entrustment Agreement (2019)"	the shareholders' rights entrustment agreement entered into by and among the Registered Shareholders, the School Sponsors and Huihuang Company
"Songming Dexue"	Songming Dexue Education Development Co., Ltd.*（嵩明德學教育發展有限公司）, a limited liability company established under the laws of the PRC on 17 April 2019 and wholly owned by Mr. Li. Songming Dexue is one of the Registered Shareholders and owns 70.8305% equity interest of Yun Ai Group
"Songming Xinju"	Songming Xinju Enterprise Management Company Limited*（嵩明新巨企業管理有限公司）, a limited liability company established under the laws of the PRC on 27 October 2016
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Spouse's Undertakings (2019)"	the spouse undertakings executed by Ms. Yang, the spouse of Mr. Li
"Structured Contracts"	collectively, the Business Cooperation Agreement (2019), the Exclusive Technical Service and Management Consultancy Agreement (2019), the Exclusive Call Option Agreement (2019), the Equity Pledge Agreement (2019), the Shareholders' Rights Entrustment Agreement (2019), the School Sponsor's and Directors' Rights Entrustment Agreement (2019), the School Sponsors' Powers of Attorney (2019), the Directors' Powers of Attorney (2019), the Shareholders' Powers of Attorney (2019), the Loan Agreement (2019) and the Spouse's Undertakings (2019), and the various supplemental agreements entered into their connection, further details of which are set out in the announcements of the Company dated 26 August 2019, 6 December 2019, 8 May 2020, 29 July 2020 and 27 August 2020

"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"USD" or "U.S.$"	United States dollars, the lawful currency of the United States
"Xinjiang School"	Xinjiang Institute of Finance and Economics*（新疆財經大學商務學院）
"Yun Ai Group"	Yunnan Einsun Education Investment Group Co., Ltd.*（雲南愛因森教育投資集團有限公司）, a limited liability company established under the laws of the PRC on 19 September 2005, which is owned as to 20.0568% by Kunming Paiduipai Economic Information Consultancy Co., Ltd., 5.7305% by Kunming Bamupu Technology Co., Ltd., 70.8305% by Songming Dexue and 3.3822% by Songming Zhongyi Enterprise Management and Consulting Services Co., Ltd.
"Yunnan School"	Yunnan Technology and Business University*（雲南工商學院）(formerly known as Yunnan Einsun Software Vocational College*（雲南愛因森軟件職業學院）("**Software College**")), a private institution of formal higher education established under the laws of the PRC on 29 September 2005, of which the school sponsor's interest is wholly owned by Yun Ai Group and a consolidated affiliated entity of the Company
"Yunnan Vocational School"	Einsun Science and Technology Vocational College*（雲南愛因森科技專修學院）
"%"	percent

By order of the Board of
China New Higher Education Group Limited
Li Xiaoxuan
Chairman

Hong Kong, 30 November 2020

As at the date of this announcement, the executive Directors are Mr. Li Xiaoxuan, Mr. Zhao Shuai and Ms. Shen Chunmei; and the independent non-executive Directors are Mr. Kwong Wai Sun Wilson, Mr. Hu Jianbo, Mr. Chan Tung Hoi and Dr. Pang Tsz Kit Peter.