



中国宇华教育集团有限公司

China YuHua Education Corporation Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6169



Environmental, Social and Governance Report

2020



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ABOUT THE REPORT

SUMMARY

This report is the fourth environmental, social and governance report (the “**ESG Report**” or the “**Report**”) issued by the Group (as defined below). Unless otherwise stated, this Report should be read in conjunction with the Corporate Governance Report on pages 58 to 71 of the 2020 annual report of the Company. This Report will be published on the website of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and on the Group’s website. The ESG Report will be published annually.

BASIS OF PREPARATION

This ESG Report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “**ESG Guide**”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

SCOPE AND EXTENT OF THE REPORT

The data and information referred to in this Report are derived from various files, questionnaires, records, statistics and research of the Group. This Report covers the period from 1 September 2019 to 31 August 2020 (the “**Reporting Period**”), which corresponds to the financial year covered in the 2020 annual report.

The policy document, declaration and data set out in this Report cover the Company and its subsidiaries and consolidated affiliated entities (collectively, the “**Group**”).

CONTACT INFORMATION

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COMPANY PROFILE

As one of the leading private school operators in China, the Group has nearly 20 years of experience in private education operation. As of 31 August 2020, the Group currently operates 27 schools covering pre-school education, primary education and higher education in Central China, East China and Thailand. In providing K-12 and university education services, the Group not only focuses on helping students achieve excellent academic performance, but also emphasises the overall coordinated development of “body quotient, moral intelligence quotient, emotional quotient and intelligence quotient” of students, dutifully shouldering the responsibility of nurturing social pillars.

ABOUT THE REPORT (CONTINUED)

CORE VALUE OF THE GROUP

Adhering to the core value that “the essence of education is love, the essence of love is giving, and giving is getting”, the Group adheres to the educational concept aiming at “fostering modern talent with leadership and lifelong learning capabilities and nurturing great minds to contribute to the future development of the Chinese nation” and provides students with education services that are in line with the values of the Group. At the same time, the Group’s teachers abide by the principle of “working hard, educating people with love, cultivating love with love, seeking truth with truth” to cultivate talented youth with well-rounded and coordinated development.

IDENTIFICATION AND COMMUNICATION WITH STAKEHOLDERS

While managing its schools and advancing its business affairs, the Group also pays attention to the major issues of interest to shareholders, investors, staff, students, parents, governments, regulatory authorities, and communities (“**Stakeholders**”). It opens up multiple channels of communication and, through the continuous communication with the Stakeholders, is able to develop thorough understanding of the needs of different Stakeholders and provide appropriate solutions. At the same time, the Group believes that listening to the opinions of Stakeholders will help the Group to improve its environmental, social and governance performance comprehensively and objectively so as to better address the needs of different Stakeholders.

Key Concerns of Stakeholders and the Corresponding Actions

| Stakeholder | Main focus | Communication channels | Corporate/Group actions |
|------------------------------------|---|---|---|
| Shareholders/ Investors | Operating strategy; Sustainable and stable return on investment; Timely information disclosure; Excellent enterprise image; and Operation of enterprise in compliance with relevant laws and regulations. | General meeting of shareholders; Information disclosure of the listed company; Roadshows/conference calls/meetings; Media communication mechanism; Enquiries via telephone/email; Investors’ on-site visit; and Website information disclosure. | Issue of notice of annual general meeting and the resolutions as required by the Listing Rules; Timely disclosure of information about the Group; Issue of announcements and regular reports as required by the Listing Rules; and Provision of smooth communication channels. |
| Staff | Training and career development space; Salary and welfare; Working environment; and Health and safety protection. | Direct communication; Physical examination; Staff activities; Opinions from staff; and Staff training. | Providing healthy and safe working environment; Setting up a fair promotion system; Providing staff with interactive platform; and Organising staff activities. |

ABOUT THE REPORT (CONTINUED)

| Stakeholder | Main focus | Communication channels | Corporate/Group actions |
|--|---|---|---|
| Students and Parents | Educational service quality; Student information protection; Student life care; Health and safety protection; Teaching quality; and Student performance. | Collection of complaints and feedback; Maintaining good communication with students; Caring for student life; Helping families suffering from difficulties; and Parents meetings. | Establishing a parent committee; Conducting student surveys; Organising student activities; Regular physical examination; Regular parents meetings; and Maintaining good communications. |
| Government and Regulatory authorities | Operational compliance; Tax compliance; Transparent governance; and Information disclosure and reporting materials. | Compliance with laws and regulations; Routine work report; and Information disclosure. | Strict compliance with laws and regulations; Accurate disclosure of information; Tax payment by law; and Accepting government supervision. |
| Community | Employment opportunities; Ecological environment; Community development; and Social commonwealth. | Community engagement. | Priority hire of local staff; Preserving the environment; and Organising community activities. |
| Media | Open information; and Good media relations. | Information disclosure. | Maintaining good communication; and Timely disclosure of information. |

I. ENVIRONMENTAL

Strictly complying with applicable laws and regulations including the *Environmental Protection Law*, the *Atmospheric Pollution Prevention Law*, the *Water Pollution Prevention Law*, the *Solid Waste Pollution Control Law*, the *Energy Conservation Law* in China, and the *National Environmental Quality Promotion and Protection Law* in Thailand, the Group ensures that the daily operations of subordinate schools do not have a significant impact on the environment and natural resources. The Group has formulated the *Detailed Regulations for Energy Conservation Management* to effectively promote energy conservation and emission reduction in accordance with the spirit of the *Energy Conservation Management Measures of Henan Province*. The regulation aims to minimise the consumption of water, electricity and natural gas, and the emission of wastewater and gas as much as possible by management energy-saving, technical energy-saving and behavioural energy-saving, realizing the effective and rational use of energy and promoting the construction of energy-saving campus. During the Reporting Period, the Group did not violate relevant laws and regulations, and has not received any complaints regarding the emission of waste gases, greenhouse gases and pollutants.

EMISSIONS

The Group is principally engaged in education services. No substantial emissions are produced by combustion of any fuels in daily operation as the Group is not engaged in any industrial production. During the Reporting Period, the principal type of emission of the Group is exhaust generated by the Group's self-owned vehicles and the emission from the use of natural gas in restaurants. The main emission data are as follows:

| Major emissions | Unit | Emission volume |
|-----------------------------------|----------|-----------------|
| Nitrogen oxide (NO _x) | Kilogram | 2,352.1 |
| Sulphur oxide (SO _x) | Kilogram | 0.4 |
| Particulate Matter | Kilogram | 39.7 |

The direct emission of greenhouse gases is the exhaust produced by the Group's self-owned vehicles and the emission from the use of natural gas in restaurants. Indirect greenhouse gas emission was mainly generated from the use of electricity, electricity consumption for wastewater treatment and waste paper, etc. During the Reporting Period, the Group's emission type and data of major greenhouse gases are as below:

| Greenhouse gases | Unit | Emission volume |
|------------------|------|-----------------|
| Carbon dioxide | Ton | 46,189.5 |
| Methane | Ton | 0.2 |
| Nitrous oxide | Ton | 8.4 |

No hazardous waste is produced during the daily operation of the Group. The non-hazardous wastes generated by the Group mainly include garbage generated in the daily operation of schools such as office supplies and food residues. During the Reporting Period, although the Group did not have specific statistical data on non-hazardous wastes, the Group will review and explore the systematic methods to record and collect data on non-hazardous wastes in the future.

I. ENVIRONMENTAL (CONTINUED)

During the Reporting Period, there was no significant change in the Group's treatment measures regarding non-hazardous waste compared with those in previous years. After the domestic waste produced by the Group is collected, the domestic waste is transferred by the municipal disposal company (which satisfies legal and regulatory requirements) to the garbage transfer station designated by environmental, health and other departments in line with relevant national and regional treatment standards. In the meantime, garbage collection areas of schools of the Group are disinfected at least twice daily to ensure that the waste does not substantially affect the school environment. In addition, the Group has formulated the *Regulations for the Use of Paper* to ensure the effective use of office paper and eliminate paper waste.

The Group mainly reduces the emission of waste gases and greenhouse gases based on the formulated policy of the *Detailed Regulations for Energy Conservation Management*. The Group reduces the emission of waste gases and greenhouse gas through management energy-saving, technical energy-saving, behavioral energy-saving, etc. In addition, the Group has always been focused on the classification, disposal and reuse of waste. While implementing education and guidance work, the Group advocates the concept of "turning waste into wealth and treasure". Based on the *Regulations on the Management of Waste Disposal* by Yuhua Education Group, the Group has established relevant waste recycling systems to further promote the construction of the conservation and environmental-friendly school community. In the meantime, the Group continuously strengthens the recycling and discharge of the waste objects to prevent pollution damage to the environment from the origin. During the Reporting Period, our schools were closed to students from February to June 2020 due to the COVID-19, hence the emission of greenhouse gas was lower than the previous financial year.

USE OF RESOURCES

Promoting the good fashion of "saving being a glory, waste being a shame", the Group regularly conducts the emission reduction training according to the *Training Program of Energy Conservation and Emission Reduction*, at the beginning of each year, and actively carries out energy-saving and energy reduction actions by focusing on energy-saving, water-saving, electricity-saving and material-saving engineer and build energy-saving schools.

The Group has made rational use of energy and resources such as water, electricity and natural gas. At the same time, we help students develop good habits for use of energy resources in order to limit waste. During the Reporting Period, the main energy and resources consumption of the Group was as follows:

| Type of energy | Unit | Consumption |
|--------------------------------------|---------------------------------|-------------|
| Total amount of electricity consumed | Megawatt-hour | 56,172.4 |
| Intensity | Megawatt-hour/school | 2,080.5 |
| Total amount of water consumed | Thousand ton | 2,729.8 |
| Intensity | Thousand ton/school | 101.1 |
| Total natural gas consumption | Thousand m ³ | 2,436.0 |
| Intensity | Thousand m ³ /school | 90.2 |
| Total gasoline consumption | Litre | 24,476.7 |
| Intensity | Litre/school | 906.5 |

I. ENVIRONMENTAL (CONTINUED)

The Group's energy use efficiency plan is mainly carried out in accordance with the *Detailed Regulations for Energy Conservation Management* formulated by the Group, and enhances the staff's awareness of energy conservation and emission reduction by regularly training them in conjunction with the *Training Program of Energy Conservation and Emission Reduction* at the beginning of each year. The Group improves the utilisation of energy and resources by clarifying the responsibilities of various departments within the school, and through measures such as scientific management, technology upgrades, and behavioural training. For instance, we reform the water supply pipeline at campus and raise the repeated use rate of water; we reconstruct the lighting facilities at campus and vigorously promote the energy-saving lamps, as well as launching "green lighting projects". The Group continuously strengthens the management of the use of water, electricity and natural gas, and cultivates students' awareness of saving energy and water.

The Group has not encountered problems in sourcing water that is fit for purpose. All of the Group's schools have stable sources of water. In accordance with the *Detailed Regulations for Energy Conservation Management*, the Group has formulated a strict water utilisation system through management, supervision and charging method to save water. Further, the Group has implemented reconstruction projects in the water supply pipeline at campus to raise the repeated use rate of water.

During the Reporting Period, the Group has achieved significant results in improving the efficiency of using energy and resources. The total amount of water consumed has declined by 13.4%, and the total gasoline consumption has declined by 43.5%. In the meantime, the Group's total paper consumption has reduced by 43.4% as the Group carried out the online working and online teaching under the influence of COVID-19.

As the Group does not manufacture any products, the Group does not use any kind of packaging materials.

ENVIRONMENT AND NATURAL RESOURCES

The Group's schools do not have any major impact on the environment and natural resources during daily operation. The Group advocates "low-carbon traveling" to minimise the emission of pollutants and greenhouse gases from vehicles. In the meantime, according to the formulated *Detailed Regulations for Energy Conservation Management*, the Group constantly monitors the emission of pollutants and the energy consumption of water, electricity and natural gas. The Group has formed an energy management system centred with management energy saving, technical energy saving, and behavioural energy saving to ensure that the company's business activities have created the lowest impact on the surrounding community environment and natural resources. To reduce the potential threat to natural resources caused by possibly abusive use of paper, the Group formulated the *Provisions on the Use of Paper* to reasonably regulate the use of office and teaching materials as well as promoting a paperless office environment to minimise paper consumption at best efforts, and ensuring the effective use of paper and eliminating paper waste. In addition, the Group strongly promotes afforestation activities in order to protect the environment. As at the end of the Reporting Period, the Group planted more than 40 thousand trees and greened over 50 thousand square meters of lawn.

II. EMPLOYMENT AND LABOUR PRACTICES

Adhering to the teaching principle of “working hard, educating people with love, cultivating love with love, seeking truth with truth”, the Group earnestly takes the responsibility of educating people and cultivating pillars for national and social development. The Group strictly obeys relevant laws and regulations to recruit and hire teachers and staff, and has established a scientific, fair and mature talent employment mechanism and human resource management system. The Group has attached great importance to the health and safety issues of staff, teachers and students, and comprehensively guarantees a safe, stable and comfortable working and learning environment. The Group has also provided a fair and scientific career development platform for teachers and employees to enhance their professionalism and teaching ability.

EMPLOYMENT

During the recruiting and hiring process, the Group strictly obeys the *Labour Law*, the *Labour Contract Law*, the *Employment Promotion Law*, the *Education Law*, the *Teachers Law*, the *Labour Dispute Mediation and the Arbitration Law* of the People’s Republic of China (“**China**” or the “**PRC**”) and the *Labour Protection Act*, the *Labour Relations Act*, the *Social Security Act*, the *Workmen’s Compensation Act* of Thailand, as well as the local labour laws and regulations in the provinces of Henan, Hunan and Shandong of China. During the Reporting Period, the Group has complied with all applicable laws and regulations, and has not been subject to warnings, fines, and penalties for violations of laws or regulations. The Group has not violated laws and regulations related to recruitment and promotion, compensation and dismissal, working hours, holidays, equal opportunities, diversity, anti-discrimination and other benefits, as well as receiving any warnings, fines, penalties and other punitive events.

During the Reporting Period, there were no major updates on the human resource policies and related hiring procedure. The Group employs staff and carries out recruitment strictly based on the *Personnel Business Process in the Staff Handbook* of the Group. The Group treats every candidate fairly regardless of gender, nationality and age, and provides teachers with fair employment opportunities and a harmonious working environment. The Group starts initiating the recruitment of graduates every November by cooperating with “58.com”, “Zhaopin.com” and other well-known recruitment agencies.

In addition, the termination of labour contracts can be divided into three categories: resignation, dismissal, and natural termination of labour contract. The Group has also provided detailed guidance on the termination process in the *Personnel Business Process*. The Group has the right to dismiss employees in certain circumstances. For instance, the Group may issue the *Notice of Termination of Labour Contract* to employees who seriously violated the relevant provisions in the *Staff Handbook*. Formal employees can submit a *Resignation Report* to the head of the department for further approval 30 days in advance.

In terms of working hours, the Group has made detailed guidelines for working hours and attendance regulations in strict accordance with the *Time Management System* in the *Staff Handbook*. The Group keeps optimising the Group’s working processes and improving staff working efficiency. In the meantime, the attendance record is used as one of the important standards for staff assessment, promotion and transfers.

II. EMPLOYMENT AND LABOUR PRACTICES (CONTINUED)

In terms of compensation and welfare benefits, the Group guarantees the legal benefits of staff in accordance with *Tentative Provisions on Payment of Wages*, *Regulations on the Administration of Housing Fund*, *Regulation on the Annual Leave with Pay* and other laws and regulations. The Group also aims to meet the overall local requirements of social security policies, including endowment insurance, medical insurance, maternity insurance, unemployment insurance, critical illness insurance and other social insurance. In compliance with the *Labour Law*, the Group ensures that staff can enjoy all kinds of holidays including public holidays, paid annual leave, sick leave, marriage leave, maternity leave, etc. The Group also provides relevant benefits to staff during major festivals in China. The Group also provides free accommodation for teachers and staff of all units in the Group, and regularly conducts activities to enrich daily life of employees.

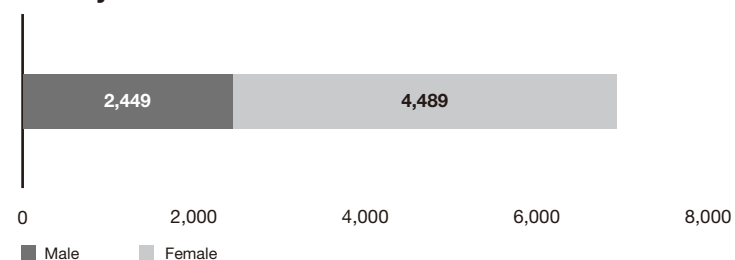
Upholding the promotion assessment mechanism of “valuing abilities regardless of educational background, valuing attitudes regardless of qualification and valuing performance regardless of certificates”, the Group has enacted a mature, fair and scientific promotion assessment mechanism. For a long time, the Group has been providing a fair career development platform for all staff and aims to ensure fair treatment in terms of employment, assessment, promotion, training, etc. Any discrimination related to religion, gender, age, and ethnicity is strictly forbidden in the Group. During the Reporting Period, the Group did not have any discrimination incidents.

By the end of the Reporting Period, the aggregate number of staff members in the Group was 6,938, consisting of 35.3% of men and 64.7% of women, respectively. Due to the characteristics of the education industry, the Group has a higher proportion of female staff. In compliance with the law, the Group provides statutory benefits, including maternity leave, marriage leave and breast-feeding leave for female staff, to ensure that they are not discriminated against or otherwise disadvantaged. During the Reporting Period, the Group’s overall turnover rate was 10.3%, including 10.2% male employees and 10.4% female employees. As for the age distribution, the turnover rate of employees aged 30 and below was 11.5%; of those who aged 31 to 40 was 7.7%; of those who aged 41 to 50 was 9.9%; of those who aged 51 to 60 was 14.5%, and of those who aged above 60 was 17.3%.

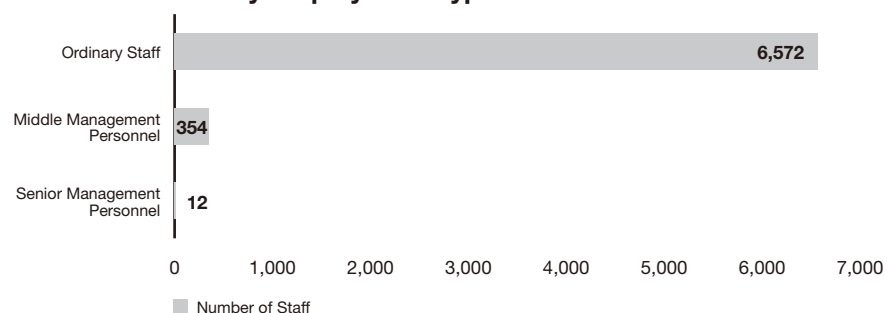
II. EMPLOYMENT AND LABOUR PRACTICES (CONTINUED)

EMPLOYMENT INDICATORS

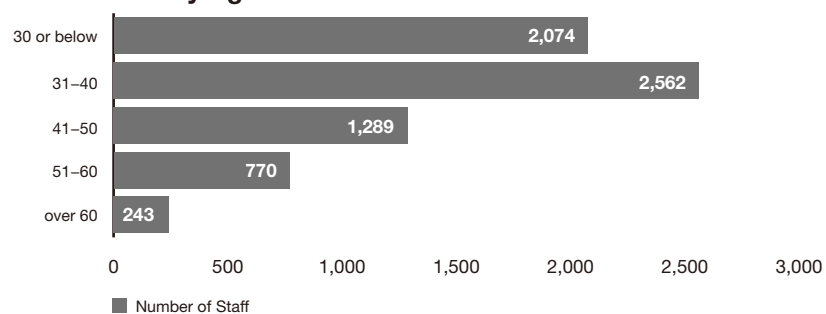
Staff by Gender in 2020



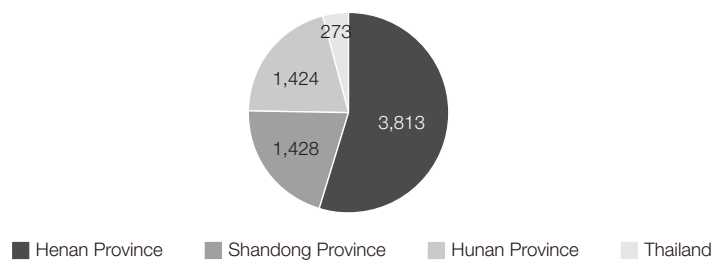
Staff by Employment Type in 2020



Staff by Age in 2020



Staff by Geographical Region in 2020



II. EMPLOYMENT AND LABOUR PRACTICES (CONTINUED)

HEALTH AND SAFETY

The Group strictly obeys the *Food Safety Law*, the *Management Regulation on Student Canteen and Student Group Meal Hygiene*, the *Regulations on the Administration of Sanitation in Public Places*, the *Law on Prevention and Treatment of Infectious Diseases*, the *Law on Fire Control* of the PRC and the *National Food Act* and the *Public Health Act* of Thailand, as well as other relevant laws and regulations in the PRC and Thailand. The Group has not been punished by warnings, fines, and penalties for violations of laws or regulations during the Reporting Period. The Group has paid great attention to the health and safety issues of staff and students. Following the basic principle of “paying attention to prevention, self-rescue and mutual aid, ensuring safety and reducing losses”, the Group has formulated the *Staff Health and Safety Management System of Yuhua Education Group* to ensure the health and safety of staff and students of the Group. The Group has set up strict safety management rules and guidelines in terms of fire safety, health management, facilities and equipment management, anti-smoking and other aspects to practically provide a healthy and safe working and learning environment for teachers and students.

Prevention and Control of COVID-19: Since the outbreak of COVID-19, the Group has been actively assuming its social responsibility. The Group strictly complied with the national and local government’s epidemic control requirements, and actively performed epidemic prevention and education works during the epidemic. The Group has set up an anti-epidemic working group, implemented the principal responsibility system, and formulated an epidemic prevention plan before and after the beginning of schools. To make the most adequate preparation for the office start of new semester, The Group has thoroughly disinfected the offices and school buildings as soon as possible, prepared all kinds of epidemic prevention goods and materials, and trained the employees on epidemic prevention knowledge. For the students management and staff management, the Group’s specific epidemic prevention measures include:

- **Students Management:** The Group postponed the beginning date for schools in comply with the government’s requirements and conducted a survey for student home quarantine situations. The Group organized all teachers to deliver epidemic prevention knowledge to students through WeChat, telephone, online classroom, etc. The Group’s subordinate schools have developed online teaching resources to guarantee the normal learning activities of schools during the epidemic in the form of live classes, recorded classes, and offline interactive tools, etc.
- **Staff Management:** The Group proposed the policy of “No Pay Cuts” during the epidemic. The Group conducted epidemic prevention measures to ensure the employees’ safety as well as guarantee the normal employment. The Group also popularized epidemic prevention knowledge to employees and required middle management levels of the Group to communicate with employees through telephone, WeChat, etc. Besides, the Group conducted a general survey of employees’ home quarantine situations in accordance with the requirements of superior authorities.

II. EMPLOYMENT AND LABOUR PRACTICES (CONTINUED)



Photos for the Epidemic Prevention of COVID-19

Fire Safety: The Group has incorporated fire safety into daily management, and has formulated a fire safety system in accordance with the requirements of the *Law on Fire Control*. The Group has set up small fire stations in each of the campuses which are specifically responsible for fire safety matters on the campuses. In addition, the Group holds fire drills and emergency escape drills every semester, which helps teachers and students to cope with sudden fire incidents while promoting fire safety awareness. The Group's schools organise regular fire drills every year and invite local fire-fighters to go to schools to educate teachers, staff and students on fire safety knowledge and to provide guidance during fire drills. During the Reporting Period, a total of over 60 fire drills were conducted at schools of the Group with the participation of a total of 140,000 people.

II. EMPLOYMENT AND LABOUR PRACTICES (CONTINUED)



Fire Drills Photos



Health Management in School Areas: In order to improve students' health standards, the Group has established and improved health management related policies and systems by clarifying responsible persons and establishing a regular working procedure. The Group's subordinate schools have set every March and November as the months of the education and publicity of health, and have continuously improved the disease prevention and control system, infectious disease isolation system, physical examination system, and health file management system. In order to provide a healthy and safe campus environment, the Group has improved the health management level in school areas in all aspects by standardising the supervision and management of teaching hygiene, environmental sanitation management system, sanitary inspection system, and canteen sanitary supervision and management system. During the epidemic period, the Group has carried out thoroughly disinfection and sterilization in the public environment of each campus and also enacted routine plans for disinfection to ensure a healthy and safe learning and working environment for students and staff.

In addition, the Group has also established a complete management system for the management of facilities and equipment such as air conditioners. Through a scientific and systematic management system, the Group effectively monitors and manages the operation of facilities and equipment, as well as maintaining and checking for potential safety hazards. At the same time, the Group has established a strict anti-smoking management system to ensure a safe and civilised office environment for employees, which is to protect the health of employees, and to maintain a good working, studying and living environment on the campus.

II. EMPLOYMENT AND LABOUR PRACTICES (CONTINUED)

In addition, the safety and health inspection projects which have been set up by the Group include: safety and health publicity and education; investigation and rectification of hidden safety hazards; management of dangerous chemicals; canteen food and boiler safety management; police and security work; medical health management; dormitory safety management; school bus safety management; and rectification of the campus and surrounding environment, etc. In response to various health and safety working arrangements, the General Affairs Department of the Group requires all units to keep relevant records and conduct regular inspections to ensure that staff and students can work in a safe environment.

During the Reporting Period, there were no work-related injuries or deaths in the Group.

DEVELOPMENT AND TRAINING

The teaching and management abilities of teachers and management staff are directly related to the teaching quality, management level and brand image of the Group's schools. Therefore, the Group has formulated detailed training programs to enhance the knowledge and professional competence of teachers and management personnel. With the aim of building and passing down experience, training activities mainly use a case analysis training model and can be divided into three categories: internal training; external training; and self-training by staff. During the Reporting Period, 100% of the Group's staff received such training. Senior and mid-level management personnel completed an average of 48 training hours while other staff completed an average of 128 training hours.

During the Reporting Period, the major training activities organized by the Group included:

- The Group organized routine training for all teaching staff, who had completed an average of 28 learning hours.
- The "Blue Project" implemented by the Group carried out one-hour training activities for all young teachers every week so that senior teachers can teach, help, and guide young teachers. Approximately 700 young teachers were trained and had completed an average of 128 learning hours.
- During the Reporting Period, the Group had organized six training activities associated with the personnel management system, education, moral education, and other business activities. Approximately 300 middle management personnel were trained and completed an average of 128 learning hours.
- From 20 May to 30 August 2020, a graduate training event held at the Group's headquarters. Approximately 500 people were trained and completed an average of 160 learning hours.
- During the epidemic period, the Group has actively conducted epidemic prevention training activities and popularized epidemic prevention knowledge to improve employees' and students' public health and safety awareness.

II. EMPLOYMENT AND LABOUR PRACTICES (CONTINUED)



Photos of Staff Training Activities



LABOUR STANDARDS

The Group strictly obeys the *Labour Law*, the *Protection of Minors Law*, the *Provisions on the Prohibition of Using Child Labour*, the *Teachers Law*, the *Code of Ethics of Teachers in Primary and Secondary Schools* of the PRC and the *Labour Protection Act*, the *Act on Establishment of Labour Courts and Labour Courts Procedures* of Thailand, as well as other relevant laws and regulations in the PRC and Thailand to recruit and hire staffs that protect the legitimate rights and interests of teachers and students. The Group prohibits any employment which would constitute child labour and forced labour, including compulsory labour and improper punitive measures. The Group clearly stipulates in the recruitment policy and processes that employment of child labour and forced labour are forbidden. The Group strictly implements the recruitment and hiring procedures in the *Staff Handbook*, and carefully checks the identity information of employees before hiring to ensure the truth and validity of personal information. During the Reporting Period, the Group did not have any form of compulsory labour or child labour incidents and related complaints. If any violations were to be detected, the Group would immediately cease any labour activities. Any false documents would be considered fraudulent and the Group would have the right to terminate the labour contract immediately.

III. OPERATING PRACTICES

SUPPLY CHAIN MANAGEMENT

During the Reporting Period, the Group's supply chain management system functioned smoothly. With a comprehensive management system in place, it ensured the procurement needs of subordinate schools were fulfilled and fully considered the environmental and social risks of suppliers. Major materials that the Group purchases are office supplies, wooden furniture, iron furniture, electronic equipment, teaching and tutoring materials, software services, school uniforms, etc. During the Reporting Period, the Group had 125 suppliers in total, with whom the Group has maintained multiple years of cooperation relationships. Out of the 125 suppliers, 6 were from Beijing, 2 were from Hebei Province, 2 were from Jiangsu Province, 1 was from Liaoning Province, 1 was from Hubei Province, and the remaining 113 were from Henan Province.

The Group orders, purchases and distributes necessary materials for daily operations of schools according to the *Supplier Management Operation Manual*. In order to standardise material supply procedures, improve work efficiency, efficiently complete the supply of high quality materials, and strengthen monitoring and management of suppliers, the Group has formulated the *Measures on Management of Customers of Yuhua Education Group*. This is used for conducting scientific management of the Group's suppliers, including classification and screening of suppliers, management of information databases, assessment of suppliers and other aspects. The Group conducts assessment and rating of suppliers during the every summer and winter vacations. If suppliers were found unqualified, cooperation would be terminated in a timely manner.

As an education service provider, the Group is dedicated to creating a safe, hygienic, comfortable and stable campus environment for teachers and students. In addition to considering the quality, brand names and qualifications of suppliers, the Group also fully considers the environmental and social risk factors of suppliers when screening suppliers. For example, we require suppliers to provide environmental impact assessment and quality inspection reports from Henan Province when purchasing uniforms and other materials. We check the qualification certificate on raw material for products provided by suppliers when purchasing furniture, electrical appliances, teaching equipment, etc. In terms of supply chain management, the Group also takes measures favourable to creating environmental and social benefits. Firstly, the Group includes the purchase of materials and approval process in the enterprise resource planning (ERP) system. The Group also advocates for a paperless office. In addition, the Group adopts the semi-electronic operation in the process of bidding, and all kinds of documents are presented in electronic version to reduce the use of paper.

In compliance with the requirements of the Group's supplier management system, the procurement department can select suppliers based on historical procurement experience and local market conditions. Currently, there are 16 suppliers hired in accordance with the above practice, who mainly supply daily materials procurement. Since such kind of suppliers can meet the procurement needs of the Group's schools in the local area and emergent procurement demands, they are good supplements and good partners in the Group's supplier system. The Group can also hire suppliers based on the principle of "Priority on Efficiency and Quality" to satisfy the procurement needs with small contract value after sufficiently considering the price fluctuation, geographical location, personnel arrangement, car arrangement, delivery time and other factors. However, the procurement need with large contract value should be carried out in accordance with the *Supplier Management Operation Manual*.

III. OPERATING PRACTICES (CONTINUED)

The Group has established a comprehensive monitoring and supervising system for the hiring of suppliers and materials procurement. The asset management department, general affairs department and the departments who use materials can provide supervision opinions on the procurement price and the quality for the procurement department. The asset management department can check the price and quality of materials through the ERP system. Once detecting any unusual case, the procurement department should take action immediately and re-evaluate the suppliers promptly in accordance with the *Measures on Management of Customers of Yuhua Education Group*. If the supplier is responsible for the problem, the Group will no longer hire the supplier.

SERVICE RESPONSIBILITY

The Group and its subordinate schools carry out education work in strict accordance with the *Education Law*, the *Compulsory Education Law*, the *Higher Education Law*, the *Non-state Education Promotion Law*, *Several Provisions on the Administration of Non-state-operated Colleges and Universities*, the *Provisions on the Administration of Students in Regular Institutions of Higher Education*, the *Kindergarten Working Regulations* of the PRC and the *National Education Act* of Thailand as well as applicable laws suitable for different school levels, and regulations of other relevant national laws of the PRC and Thailand. Each of the subordinate schools has introduced a series of systems, policies and activities to increase teaching quality:

- **University education:** The Group's universities, Zhengzhou Technology and Business University, Hunan International Economics University and Shandong Yingcai University, have formulated scientific, systematic and well-established teaching management systems and related teaching quality supervision systems including class observation system, teaching supervision, teaching quality monitoring, course evaluation and information feedback to ensure the teaching quality. Relevant policies and systems enacted by Zhengzhou Technology and Business University include the *Teaching Quality and Monitoring Bulletin*, the *Teaching Inspection System*, the *Class Observation by Administrative Personnel System*, the *Two-level Supervision Work Plan*, the *Identifying Methods for Teaching Quality Evaluation Level*, etc. Relevant policies and systems enacted by Hunan International Economics University include the *Daily Teaching Inspection System*, the *Class Observation System*, the *Regulations on Teaching Supervision*, the *Implementation Measures for Quality Control of Practical Teaching*, etc. Relevant policies and systems enacted by Shandong Yingcai University include the *Quality Standards for Main Teaching Processes*, the *Evaluation Methods for Undergraduate Teaching*, the *Regular Inspection System for Teaching*, and the *Regulations for Experimental Teaching*, etc.
- **Primary and secondary school education:** Primary and secondary schools mainly adopt the collective lesson preparation model to ensure the quality of teaching. Primary and secondary schools organise teaching and research activities twice a week. Classrooms are not locked when the teacher gives lessons in order to facilitate the observation and supervision of teaching by the academic affairs office, supervision office and other teachers. Relevant policies and regulations enacted by the Group's primary and secondary schools include the *Regulations on the Management of Teaching Practices*, the *Class Observation System*, the *System of Teaching and Research Activities*, the *Provisions for Teaching Assessment*, etc.

III. OPERATING PRACTICES (CONTINUED)

- **Kindergarten education:** The Group regularly conducts teaching and research activities including class appraisal, the teaching assistant's class evaluation, observation classes and other activities in order to enrich the teaching quality. In addition, the content learned by young children is assessed and evaluated every month and the results are included in the performance appraisal standards of teachers.

Each subordinate schools of the Group have enacted the *Identification and Treatment of Teaching Accident*. For any teacher with deficiencies in teaching quality, schools will talk to and guide him/her to improve, while including in the relevant performance appraisal to avoid the recurrence of teaching accidents. To deal with complaints about education services, the Group has set up a special investigation team and made arrangements for the school leader to communicate with students and parents and listen carefully to the opinions of parents in order to find the shortcomings and improve supervision and inspection efforts. During the Reporting Period, the subordinate schools of the Group did not receive any complaints.

The Group has adopted reasonably effective marketing strategies to attract students and parents. Major marketing channels include Weibo, WeChat and other social media channels. During the Reporting Period, the marketing and promotion activities were all abided by the *Advertising Law* and other laws and regulations.

The Group has introduced a series of policies to ensure the safe, stable and healthy development of students at campus. For instance, Zhengzhou Technology and Business University has formulated the *Regulations on the Management of Students Safety*, the *Regulations on the Management of Students Dormitories*, and the *Emergency Plans for Fire Safety and Management of Student Apartments*, etc. Hunan International Economics University has formulated the *Laboratory Safety Management Measures* and organises security checks regularly. In addition, the Group mainly adopts supervision and monitoring, returning visits to parents, students' evaluation and safety education to supervise and manage regular education services in primary and secondary schools and the Group has obtained timely feedback information and continuously improves the quality of teaching services. Regarding kindergarten education, the Group mainly adopts supervision and monitoring, returning visits to parents, safety education and sanitation safety to guarantee the health and safety for kids during the teaching process.

In terms of knowledge copyright protection, the teaching materials used by the subordinate schools of the Group are all ordered from authorised publishers, and the Group purchases the teaching resources website accounts for teachers to ensure that schools at all levels use the educational resources with copyright. The Group has also formulated the *Measures for Morality and Talents Enhancement Teaching Material Management*, the *Measures for Intellectual Property Management of Zhengzhou Technology and Business University* and the *Measures for Patent Management of Zhengzhou Technology and Business University* to ensure that the relevant intellectual property rights are protected properly.

The Group has formulated the *Student File Management Work*, the *Measures for Archive Management*, the *Measures for Student File Management of Zhengzhou Technology and Business University* and other policies to protect the security of personal information. The Group has also signed non-disclosure agreements with staff that may be involved in the student information safety and private information. The Group also carries out relevant training to instruct teachers and staff to strictly abide by the obligation to maintain confidentiality and respect the privacy of students.

III. OPERATING PRACTICES (CONTINUED)

ANTI-CORRUPTION

The Group strictly obeys the *Criminal Law*, the *Company Law*, the *Interim Provisions on the Prohibition of Commercial Bribery*, the *Anti-Money Laundering Law*, the *General Principles of Civil Law*, the *Anti-Unfair Competition Law*, the *Contract Law* of the PRC and the *New Anti-Corruption Law* and the *Criminal Code* of Thailand as well as other laws and regulations of the PRC and Thailand to prevent any bribery, extortion, fraud and money laundering and other corrupted incidents to occur.

In order to regulate the professional behaviour of staff, the Group strictly obeys the relevant laws, industry norms and standards of professional ethics, and rules and regulations of the Group. The Group has also formulated the *Measures for Anti-embezzlement and Reporting Management Mechanism* to prevent bribery, extortion, fraud, money laundering and other types of embezzlement. In addition, the Group requires any staff involved in economic activities to sign and abide by the *Letter of Commitment of Honesty and Self-discipline*. Staff members are held accountable if any violations are detected. Further, all partners which have business relations with the Group must also sign the *Anti-Commercial Bribery Agreement* before establishing the cooperative relations. The human resources department, legal department and internal control department of the Group also conduct a series of training and induction education to strengthen the knowledge of staff members in relation to bribery, extortion, fraud, money laundering and other illegal activities in order to establish the correct values and strengthen the ability of staff to identify and distinguish legal and illegal, honest and dishonest, and moral act and immoral acts.

During the Reporting Period, there were no significant changes to the illegal acts and related enforcement and monitoring measures formulated by the Group. Major measures are as follows:

- setting up the reporting telephone and mailbox as the channel to report actual or suspected embezzlement cases for which the internal control department is responsible for accepting, retaining and handling reported information;
- the internal control department may also carry out random checks on work procedures and results of departments engaged in economic activities;
- the finance department regularly examines economic activities and delivers suspected cases of embezzlement to the internal control department for investigation annually;
- the asset department checks the work of departments with the ability to purchase through market research and delivers suspected cases of embezzlement to the internal control department for investigation; and
- for any staff who engages in embezzlement, whether or not amounting to a criminal offence, the internal control department will recommend company management to impose corresponding internal economic and administrative disciplinary punishments according to the regulations, and, should the staff member possibly be in violation of the law, the internal control department will transfer the case to the relevant authorities.

During the Reporting Period, the Group did not have any bribery, extortion, fraud, money laundering or other embezzlement cases.

The Group's *Staff Handbook* strictly prohibited staff behaviours like receiving gifts and cash from students and their parents, accepting free travelling and meals, and asking for bribery and other severe violations of the Group's discipline. The Group annually organizes the board meetings and all staff to study the *Staff Handbook* to strengthen their anti-corruption awareness.

IV. COMMUNITY INVESTMENT

The Group actively fulfils its corporate social responsibility by participating in the cause of public welfare and community development. The Group gives full play to its own strengths including by actively participating in all kinds of community activities and organising teachers and students to learn through community education, humanistic care, culture and art, urban construction and other activities. Further, the Group fully reflects staff care in providing jobs and a good working environment, including providing diversified training and promotion opportunities. In addition, the Group's schools attach great importance to the ideological and moral education of students and strive to cultivate good moral character and a strong sense of social responsibility. Schools regularly communicate with parents on education methods to create a harmonious family environment.

During the Reporting Period, the Group's subordinate schools actively took social responsibility through various channels and means. Student from subordinate universities actively participated in volunteer services and public welfare activities, continuously improving their social responsibility awareness. Subordinate primary and secondary schools not only actively participated in the construction of civilised cities and volunteering activities, but also organised lectures and practical activities related to social responsibility to promote social responsibility awareness. Also, a variety of community practical activities have been carried out at subordinate kindergartens to cultivate and develop the sense of social responsibility for young children through personal experience.

PUBLIC WELFARE VOLUNTEER ACTIVITIES

In the Reporting Period, the Group's schools have made full use of their advantages and have carried out many public welfare activities. During the Reporting Period, the major social public welfare activities held by each school of the Group are:

| Schools | Major Social Public welfare Activities |
|---|---|
| Zhengzhou Technology and Business University | <ul style="list-style-type: none">➤ From 26 September 2019 to 9 October 2020, the school participated in military training clothes fundraising activities, donating the clothes to sanitation workers and public welfare organizations.➤ On 12 October 2019, volunteers provided volunteer services at the children's hospital of Zhengzhou, cleaning up the hospital and communicating with child patients in the hospital.➤ On 27 October 2019, young volunteers from arts and humanities school took condolences to the aged.➤ On 30 October 2019, the school participated in volunteer activity in the streets around Zhengzhou Technology and Business University. The volunteers took condolences to the sanitation workers.➤ From 23 October 2019 to 20 November 2019, the school held the clothes fundraising activities. The volunteers donated the clothes to public welfare organizations.➤ On 28 November 2019, the school organized volunteers to go to HaoYu Wisdom Development Service Centre to help children with autism.➤ On 30 November 2019, the school held voluntary activities in children's hospital. The volunteers provided assistances to the family members of the patient and solved problems. |

IV. COMMUNITY INVESTMENT (CONTINUED)

| Schools | Major Social Public welfare Activities |
|---|---|
| Hunan International Economics University | ➤ On 16 December 2019, the school held a volunteering activity to donate idle books and school supplies to Moling Primary School. |
| | ➤ From 16 October 2019 to 3 November 2019, the school provided training services for the volunteers in Zhengzhou Longhu Half Marathon Race. |
| | ➤ During the Reporting Period, the school has held several volunteer activities including caring about autistic kids, visiting lonely elderly and the nursing home, as well as volunteer activities in the subway. |
| | ➤ During the Reporting Period, the school's volunteers participated in the public welfare activity of <i>Yi Xiang Xing</i> . |
| | ➤ During the Reporting Period, the school's volunteers had participated in the public welfare activity of <i>Volunteering for the Weekend</i> multiple times. |
| | ➤ During the Reporting Period, the school had held voluntary blood donation activities multiple times. |
| Shandong Yingcai University | ➤ During the Reporting Period, the school had held the public welfare activity of preventing AIDS. |
| | ➤ During the Reporting Period, the school carried out social practice activities of <i>San Xia Xiang</i> . The school had selected a total of 21 students on Western Planning to participate in the volunteer services of <i>Western Planning Project</i> , and there were a total of 282 college students participated in the national construction in western China and the national defense. |
| | ➤ During the Reporting Period, the school participated in the public welfare event of <i>99 Charity Action</i> held by Tencent. The school donated RMB12 thousand and donated to build one cabin. |
| | ➤ In 2020, the school youth volunteers association held the public welfare event of Realizing Dreams Action to help western children fulfill their dreams. |
| Zhengzhou Yuhua Elite School | ➤ In 2020, the school youth volunteers association held the environment protection event of <i>Blue Sky Action</i> , which had collected over 15,000 wasted bottles and donated over 600 clothes. |
| | ➤ On 18 October 2019, the volunteers association organized 25 student volunteers to send warming in the nursing homes. |
| | ➤ The school participated in the construction of a national civilized city in Jiaozuo during 2019 to 2020. |
| Jiaozuo Yuhua Elite School | ➤ In January 2020, the school held the activity of <i>Remembering the Origin and Warming the Cold Winter</i> . The school had donated to Nanguanzhuang Primary School. |

IV. COMMUNITY INVESTMENT (CONTINUED)

| Schools | Major Social Public welfare Activities |
|---|---|
| Kaifeng Yuhua Elite School | <ul style="list-style-type: none"> ➤ In October 2019, the school held a large-scale public welfare presentation activity of <i>My Heart to the Motherland</i>. ➤ In November 2019, the school participated in the voluntary activity of <i>I Maintain the Beautiful Campus</i>. ➤ In December 2019, the school held a practical event of <i>Cleaning Dished Action</i>. |
| Xuchang Yuhua Elite School | <ul style="list-style-type: none"> ➤ On 4 April 2019, the school held the memorial activity for Ching Ming Festival, organizing students to the martyrs to visit the revolutionary martyrs memorial hall. ➤ On 16 April 2019, the school carried out the sending warmth activity for firemen. ➤ On 13 November 2019, the school held the activity of taking condolences to the children welfare home and delivered food and clothes to the children in the welfare home. |
| Zhengzhou Yuhua Elite Primary School | <ul style="list-style-type: none"> ➤ In December 2019, the school organized students and teachers to donate money and materials for the lonely elderly. |
| Kaifeng Yuhua Elite High School | <ul style="list-style-type: none"> ➤ During the Reporting Period, the school donated RMB30 thousand as the board member of <i>Xiangfu's Justice-upholding Council</i>. ➤ During the Reporting Period, the school had actively participated in the poverty alleviation activity of Xiangfu District. The school undertook the assistance works for ten poverty family. |
| Jiyuan Yuhua Elite School | <ul style="list-style-type: none"> ➤ During the Reporting Period, the school participated in work of building a national civilized and national sanitary city for Jiyuan. ➤ During the Reporting Period, the school organized students to participate in the social practical activities and taught students to be civilized citizens. |
| Zhengzhou Yuhua Elite Bilingual Kindergarten | <ul style="list-style-type: none"> ➤ In December 2019, the school held the subject teaching activity of garbage classification, aiming to raise students' awareness in the importance of garbage classification and environmental protection. |
| Luohe Yuhua English and Chinese Kindergarten | <ul style="list-style-type: none"> ➤ In December 2019, the school carried out the environmental protection publicity activities to cultivate children's awareness of garbage classification. ➤ From August to December 2019, the school organized teachers to volunteer in the public welfare teaching classroom in Luohe Library during weekends. |

IV. COMMUNITY INVESTMENT (CONTINUED)



Public Welfare Volunteer Activities



SOCIAL DONATION

The Group mainly focuses on social donations and sponsorship projects for local education, cultural construction, poverty alleviation, assisting women and children, and environmental welfare activities. Major projects include but are not limited to:

- According to the national funding policy, Zhengzhou Technology and Business University actively applied financial aid for poor students. For students from poor families, the counselor steadily focused on their status and ensured the living quality of poor students at school;
- The donation and aid strategies of Shandong Yingcai University mainly focused on natural disaster, anti-poverty, and educational poverty alleviation, etc. The school also conducted donation activities for faculty staff and students in financial difficulties. In the meantime, the school had donated to build the Xiawei Town Hope Primary School in Linyi and had set up educational scholarships in Linqing;
- Zhengzhou Yuhua Elite School gave admission with a full scholarship to needy students with good grades locally and surrounding cities;
- In August 2020, Kaifeng Yuhua Elite School donated over RMB16 thousand for children with leukemia through Henan Province Charity Federation Trade Union's public welfare activity. The total number of participants were 1,290;

IV. COMMUNITY INVESTMENT (CONTINUED)

- In August 2020, Kaifeng Yuhua Elite School participated in the *Spring Bud Program* in 99 public welfare day donation activity to subsidize students from poor families; and
- During the Reporting Period, Kaifeng Yuhua Elite High School gave financial assistance to a total of 469 students, with a total investment of over RMB870 thousand.

STAFF CARE

As teaching staff are a significant asset of education providers, the Group has always shown great care for our staff. After fully understanding the actual needs of our staff, we offer various support in the form of money, materials, manpower, greetings and so on to help our staff overcome difficulties they face with in daily life, in mental life and in their jobs.

The Group's subordinate school, Hunan International Economics University, has carried out sending warmth and assistant work for staff. The university has formed a fine tradition that the school must visit staff under four scenarios, when someone is in hospital, losing loved ones, facing natural calamities and man-made misfortunes. During the Reporting Period, the school visited 30 hospitalized employees with an amount of over RMB20 thousand condolences donations; the school visited 36 employees who lost their families with an amount of RMB18 thousand condolences donations; the school evaluated 10 staff as extremely poor staff and subsidized RMB40 thousand.

Shandong Yingcai University, a subordinate school of the Group, implemented the warmth engineering and continuously improving the working mechanism of helping the poor. In addition to providing welfare for all employees, the school actively carried out condolences activities and assistance work for teachers and staff who were seriously ill or in financial difficulties. Over the past five years, the school has helped over 100 people in total, realizing an amount of nearly RMB200 thousand assistance funds.

In addition, primary and secondary schools and kindergartens in various districts have provided assistance to assist staffs encountering difficulties in daily life and mental life with the actual needs of staff, including funds, materials, human assistance and spiritual condolences. The Group also gives benefits to staff during holidays such as the Women's Day, the Dragon Boat Festival, the Mid-Autumn Festival, Teacher's Day, Spring Festival, as well as showing concerns to staff's daily lives.

Over the past fiscal year, subordinate schools of the Group have devoted themselves in community building and taken a good lead in their communities. During the Reporting Period, subordinate schools of the Group have won nearly 30 awards.



中国宇华教育集团有限公司
China YuHua Education Corporation Limited