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Chen Lin Education Group Holdings Limited

辰林教育集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1593)

ANNUAL RESULTS ANNOUNCEMENT FOR THE EIGHT MONTHS ENDED 31 AUGUST 2021

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) announces the audited consolidated annual results of Chen Lin Education Group Holdings Limited (the “**Company**” and its subsidiaries, the “**Group**”) for the eight months ended 31 August 2021 (“**Annual Results**”). The Annual Results have been reviewed by the Audit Committee (with no disagreement), together with the management of the Company.

HIGHLIGHTS

On 11 June 2021, the Board of Directors of the Group announced the change of the financial year end date of the Group from 31 December to 31 August (the “**Change**”). The Change is 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. The Board considers that the Change will follow more closely with the business cycle in which the Group operates, and better reflect the operational results of the Group for the financial year.

	Eight months ended 31 August 2021 (RMB'000)	Year ended 31 December 2020 (RMB'000)	% change
Revenue	218,082	288,029	(24.28)
Gross profit	83,718	187,642	(55.38)
(Loss)/profit	(18,720)	77,459	(124.17)
Basic (loss)/earnings per share (RMB per Share)	(0.02)	0.08	(125.00)

For the eight months ended 31 August 2021, we have a total of 23,659 enrolled students, representing an increase of approximately 140.22% as compared those for the eight months ended 31 August 2020. Our average tuition fees for the undergraduate programs increased by approximately 6.64% and the average tuition fees for junior college programs decreased by approximately 36.42% respectively for the eight months ended 31 August 2021, as compared with those for the eight months ended 31 August 2020.

The Board does not recommend the payment of a final dividend for the eight months ended 31 August 2021.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the eight months ended 31 August 2021

		Eight months ended 31 August 2021	Year ended 31 December 2020
	<i>Note</i>	RMB'000	RMB'000
Revenue	3	218,082	288,029
Cost of revenue		(134,364)	(100,387)
Gross profit		83,718	187,642
Other income	4	7,406	20,744
Other expenses		(3,210)	(5,335)
Other gains/losses — net		230	(5,019)
Net impairment losses on financial assets		(10,378)	(7,753)
Selling expenses		(473)	(11,326)
Administrative expenses		(56,718)	(78,293)
Operating profit		20,575	100,660
Finance income	5	823	1,672
Finance costs	5	(38,138)	(23,464)
Finance costs — net	5	(37,315)	(21,792)
(Loss)/Profit before income tax		(16,740)	78,868
Income tax expense	6	(1,980)	(1,409)
(Loss)/Profit for the period/year		(18,720)	77,459
Other comprehensive income for the period/year		—	—
(Loss)/Profit and total comprehensive income for the period/year, all attributable to owners of the Company		(18,720)	77,459
Earnings per share attributable to owners of the Company			
— Basic (loss)/earnings per share (expressed in RMB per share)	7	(0.02)	0.08
— Diluted (loss)/earnings per share (expressed in RMB per share)	7	(0.02)	0.08

CONSOLIDATED BALANCE SHEET

As at 31 August 2021

		As at 31 August 2021 RMB'000	As at 31 December 2020 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	8	1,558,447	1,001,508
Right-of-use assets	9	397,168	76,571
Intangible assets	10	291,154	164,574
Other non-current assets	11	33,181	228,922
Deferred income tax assets		635	1,037
Term deposits with initial term over one year		–	1,000
		<u>2,280,585</u>	<u>1,473,612</u>
Current assets			
Trade receivables	12	52,090	25,997
Other receivables and prepayments		65,297	33,764
Financial assets at fair value through profit or loss	13	42,508	45,687
Cash and cash equivalents		314,457	355,594
Term deposits with initial term over three months		–	50,000
Restricted bank balances		–	31,919
		<u>474,352</u>	<u>542,961</u>
Total assets		<u><u>2,754,937</u></u>	<u><u>2,016,573</u></u>
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		89	89
Share premium		433,763	452,406
Capital reserve		30,000	30,000
Statutory surplus reserves		117,964	112,291
Share-based payments reserve		48,838	42,720
Retained earnings		214,479	238,872
Total equity		<u><u>845,133</u></u>	<u><u>876,378</u></u>

		As at 31 August 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
	<i>Note</i>		
Liabilities			
Non-current liabilities			
Borrowings	<i>15</i>	1,003,338	526,826
Deferred revenue		16,305	16,604
Contract liabilities		2,400	2,561
Other non-current liabilities	<i>17</i>	276,419	1,819
Lease liabilities	<i>16</i>	62,299	6,641
		<u>1,360,761</u>	<u>554,451</u>
Current liabilities			
Accruals and other payables	<i>14</i>	128,223	163,136
Amount due to a related party		2,570	2,501
Borrowings	<i>15</i>	239,868	191,958
Current income tax liabilities		34,726	33,061
Deferred revenue		2,877	2,459
Contract liabilities		138,690	190,296
Lease liabilities	<i>16</i>	2,089	2,333
		<u>549,043</u>	<u>585,744</u>
Total liabilities		<u><u>1,909,804</u></u>	<u><u>1,140,195</u></u>
Total equity and liabilities		<u><u>2,754,937</u></u>	<u><u>2,016,573</u></u>

NOTES

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 25 May 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. The principal place of business of the Group is located at No. 001, Lianfu Avenue, Xinjian District Nanchang, Jiangxi Province, the PRC.

The Company is an investment holding company. The Company and its subsidiaries (together “**the Group**”) provide comprehensive educational services in Jiangxi province, Guizhou province and Henan province of the PRC. The Group has been operating Jiangxi University of Applied Science (江西應用科技學院) (“**JUAS**”) since 1984. In December 2020, the Group acquired Jiangxi Wenli Jishi College (江西文理技師學院) (“**Jishi College**”) from a third party. In April and July 2021, the Group further acquired Guizhou Institute of Industry and Trade (貴州工貿職業學院) (“**Guizhou Institute**”) and Zhengzhou Airport Economy Zone Yu Ren High School (鄭州航空港區育人高級中學) (“**Yu Ren High School**”) from third parties, respectively.

On 11 June 2021, the board of directors of the Group announced the change of the financial year end date of the Group from 31 December to 31 August (the “**Change**”). The Change is 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. The Board considers that the Change will follow more closely with the business cycle in which the Group operates, and better reflect the operational results of the Group for the financial year.

The ultimate controlling party of the Group is Mr. Huang Yulin, who is an executive director and the chairman of the board of directors of the Company (the “**Controlling Shareholder**”).

The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) since 13 December 2019.

The consolidated financial statements are presented in Renminbi (“**RMB**”) and rounded to the nearest thousand yuan (“**RMB’000**”), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Chen Lin Group Holdings Company Limited and its subsidiaries.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”) issued by International Accounting Standards Board (“**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are carried at fair value.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

New standards and amendments	Effective for annual periods beginning on or after
HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform 1 January 2021

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the eight months ended 31 August 2021 and have not been early adopted by the Group. These standards are set out as below:

New standards and amendments	Effective for annual periods beginning on or after
Amendments to IFRS 3	Reference to the Conceptual Framework 1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use 1 January 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract 1 January 2022
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
IFRS 17	Insurance contracts Originally 1 January 2021, but extended to 1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current Originally 1 January 2022, but extended to 1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture To be determined

Based on the Group's current assessment, the directors do not expect a material impact on the Group's financial position and performance as a result of the adoption of these new standards and amendments when they become effective.

2.2 Going concern

The Group incurred a net loss of RMB18,720,000 for the eight months ended 31 August 2021, and the Group's current liabilities exceeded current assets by RMB74,691,000 as at 31 August 2021. The Group's current liabilities included deferred revenue and contract liabilities with total amount of RMB141,567,000 that are not financial liabilities and will not require future cash outflows, excluding non-financing liabilities, the Group was in net current assets position. Subsequent to 31 August 2021, the Group received tuition and boarding fees for the next school year commencing September 2021 amounting to approximately RMB400 million. The Group's management closely monitors the Group's financial performance and liquidity position. The Directors are of the opinion that, taking into account the tuition and boarding fees that have been received up to date, the future operational performance and the expected future operating cash inflows, and the continuous availability of borrowing facilities, the Group will have sufficient financial resources to support its operations and to meet its financial obligations as and when they fall due in the coming twelve months from 31 August 2021. Accordingly, the Group's consolidated financial statements have been prepared on a going concern basis.

3 REVENUE AND SEGMENT INFORMATION

Revenue for the eight months ended 31 August 2021 and for the year ended 31 December 2020 are as follows:

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
Tuition fees	188,445	236,581
Boarding fees	19,894	21,887
Internship management fees	1,029	3,123
Tutoring and programme management services	1,092	17,427
Others	7,622	9,011
	<u>218,082</u>	<u>288,029</u>

The Group's revenue is subject to seasonal fluctuations. Tuition and boarding fees of the Group's schools are generally received in advance prior to the beginning of academic year commencing September each year. Tuition and boarding fees revenues are recognised proportionately over the relevant period in which the services are rendered excluding school term breaks and vacation periods.

Pledge of revenue proceeds

The Group's long-term bank borrowings of RMB713,892,000, long-term borrowings from a financial institution of RMB77,006,000 and borrowings under finance lease arrangement of RMB79,010,000 were secured by the pledge of the rights over the collection of tuition fees and boarding fees of the Group's schools (note 15).

4 OTHER INCOME

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
Government grants and subsidies (a)		
— Recognised from deferred revenue	1,780	5,411
— Recognised during the year	375	554
Sub-contracting income (b)	4,511	5,373
Commission income	—	1,073
Dividends from financial assets at FVPL	—	1,496
Others	740	6,837
	<u>7,406</u>	<u>20,744</u>

(a) Government grants and subsidies mainly represent subsidies from government for procurement of laboratory apparatus and equipment and conducting educational.

(b) The Group receives income from sub-contracting the canteen catering operations and the campus stores in the Schools' campus to other parties.

5 FINANCE COST — NET

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
<i>Finance income</i>		
— Interest income derived from deposits	<u>823</u>	<u>1,672</u>
<i>Finance costs</i>		
— Interest expenses on bank borrowings	(26,079)	(23,823)
— Interest expenses on other borrowings	(12,451)	(2,342)
— Interest expenses relating to payables to government authority	(4,809)	—
— Finance cost on lease liabilities (<i>note 9</i>)	(670)	(234)
— Net foreign exchange losses	(1,723)	(1,582)
Less: borrowing costs capitalised on qualifying assets (<i>note 8</i>)	<u>7,594</u>	<u>4,517</u>
	<u>(38,138)</u>	<u>(23,464)</u>
Finance costs — net	<u>(37,315)</u>	<u>(21,792)</u>

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's borrowings for construction in progress during the eight months ended 31 August 2021, in this case 5.78% (For the year ended 31 December 2020: 5.04%) per annum.

6 INCOME TAX EXPENSE

The amount of income tax expense charged to profit or loss in the consolidated statement of comprehensive income represents:

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
<i>Current income tax</i>		
Current income tax on profits before income tax for the period/year	<u>1,578</u>	<u>3,698</u>
<i>Deferred income tax</i>		
Decrease in deferred income tax assets	402	109
Decrease in deferred income tax liabilities	<u>—</u>	<u>(2,398)</u>
	<u>402</u>	<u>(2,289)</u>
Income tax expense	<u>1,980</u>	<u>1,409</u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to profit of the consolidated entities as follows:

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
(Loss)/Profit before income tax	<u>(16,740)</u>	<u>78,868</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries	(3,432)	23,189
Tax effects of:		
Net profit from the Schools not subject to tax	(3,181)	(28,913)
Expenses not deductible for tax purpose	1,985	5,501
Tax losses for which no deferred income tax asset has been recognised	5,571	2,884
Write off deferred income tax assets/(liabilities) recognised in previous years	<u>1,037</u>	<u>(1,252)</u>
Income tax expense	<u>1,980</u>	<u>1,409</u>

7 (LOSS)/EARNINGS PER SHARE

(a) Basic

The basic (loss)/earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Eight months ended 31 August 2021	Year ended 31 December 2020
(Loss)/profit attributable to owners of the Company (RMB'000)	<u>(18,720)</u>	<u>77,459</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>960,000,000</u>	<u>960,000,000</u>
Basic (loss)/earnings per share (expressed in RMB per share)	<u>(0.02)</u>	<u>0.08</u>

(b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversation of all dilutive potential ordinary shares. The Company's potentially dilutive ordinary shares comprised of RSUs scheme.

	Eight months ended 31 August 2021	Year ended 31 December 2020
(Loss)/profit attributable to owners of the Company (<i>RMB'000</i>)	<u>(18,720)</u>	<u>77,459</u>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	960,000,000	960,000,000
Adjustments for RSUs scheme	26,566,000	28,120,000
Number of shares that would have been issued at fair value:	<u>(3,724,289)</u>	<u>(6,049,346)</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>982,841,711</u>	<u>982,070,654</u>
Diluted (loss)/earnings per share (<i>expressed in RMB per share</i>)	<u>(0.02)</u>	<u>0.08</u>

8 PROPERTY, PLANT AND EQUIPMENT

	Buildings and building improvements <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Office furniture and fixtures <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020						
Cost	723,427	5,878	80,590	113,259	129,930	1,053,084
Accumulated depreciation	<u>(118,920)</u>	<u>(3,327)</u>	<u>(53,655)</u>	<u>(67,768)</u>	<u>–</u>	<u>(243,670)</u>
Net book amount	<u>604,507</u>	<u>2,551</u>	<u>26,935</u>	<u>45,491</u>	<u>129,930</u>	<u>809,414</u>
Year ended 31 December 2020						
Opening net book amount	604,507	2,551	26,935	45,491	129,930	809,414
Additions	–	1,422	13,209	14,205	194,553	223,389
Acquisition of a subsidiary	–	–	3,628	–	–	3,628
Transfers	243,507	–	–	–	(243,507)	–
Disposals	–	(151)	(478)	(2,197)	–	(2,826)
Depreciation charge	<u>(21,768)</u>	<u>(434)</u>	<u>(3,699)</u>	<u>(6,196)</u>	<u>–</u>	<u>(32,097)</u>
Closing net book amount	<u>826,246</u>	<u>3,388</u>	<u>39,595</u>	<u>51,303</u>	<u>80,976</u>	<u>1,001,508</u>
As at 31 December 2020						
Cost	966,934	6,005	89,037	88,004	80,976	1,230,956
Accumulated depreciation	<u>(140,688)</u>	<u>(2,617)</u>	<u>(49,442)</u>	<u>(36,701)</u>	<u>–</u>	<u>(229,448)</u>
Net book amount	<u>826,246</u>	<u>3,388</u>	<u>39,595</u>	<u>51,303</u>	<u>80,976</u>	<u>1,001,508</u>

	Buildings and building improvements	Vehicles	Office furniture and fixtures	Electronic equipment	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Eight months ended						
31 August 2021						
Opening net book amount	826,246	3,388	39,595	51,303	80,976	1,001,508
Additions	1,414	29	3,687	26,211	101,311	132,652
Acquisition of subsidiaries	232,466	1,138	16,569	3,020	201,802	454,995
Transfers	122,871	-	-	-	(122,871)	-
Disposals	-	-	(26)	(4)	-	(30)
Depreciation charge	(20,463)	(328)	(4,557)	(5,330)	-	(30,678)
Closing net book amount	<u>1,162,534</u>	<u>4,227</u>	<u>55,268</u>	<u>75,200</u>	<u>261,218</u>	<u>1,558,447</u>
As at 31 August 2021						
Cost	1,322,638	7,171	109,676	117,206	261,218	1,817,909
Accumulated depreciation	(160,104)	(2,944)	(54,408)	(42,006)	-	(259,462)
Net book amount	<u>1,162,534</u>	<u>4,227</u>	<u>55,268</u>	<u>75,200</u>	<u>261,218</u>	<u>1,558,447</u>

Certain subsidiaries of the Group obtained a number of borrowings, in the form of sales and lease back arrangements, from certain finance leasing companies, whereby certain property, plant and equipment of the Group's schools were sold and leased back over thirty to thirty-six months lease terms. The Group has the option to reacquire the property, plant and equipment on completion of the leases at nominated value. During such lease term and before the exercise of the completion repurchase option, such property, plant and equipment are effectively pledged as security for the borrowings and are restricted under the agreements where lessors' consent must be obtained for the pledge and/or disposal of these assets. As at 31 August 2021, the cost of assets under this restriction amounted to RMB508,225,000 (31 December 2020: Nil).

Depreciation of property, plant and equipment was included in the following categories in the consolidated statements of comprehensive income:

	Eight months ended 31 August 2021	Year ended 31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of revenue	27,682	29,386
Administrative expenses	2,291	1,789
Other expenses	705	922
Total	<u>30,678</u>	<u>32,097</u>

During the eight months ended 31 August 2021, the Group capitalised interest on borrowings amounting to approximately RMB7,594,000 (Year ended 31 December 2020: RMB4,517,000), on qualifying assets, respectively (note 5).

Construction-in-progress mainly comprises buildings and building improvements under construction in the PRC.

9 RIGHT-OF-USE ASSETS

	Land use rights <i>RMB'000</i>	Favorable lease <i>RMB'000</i>	Lease of buildings <i>RMB'000</i>	Lease of equipment <i>RMB'000</i>	Total <i>RMB'000</i>
Eight months ended					
31 August 2021					
Opening net book amount	39,874	27,959	6,750	1,988	76,571
Acquisition of subsidiaries	250,615	–	77,052	–	327,667
Depreciation charge	(2,647)	(2,420)	(1,837)	(166)	(7,070)
Closing net book amount	<u>287,842</u>	<u>25,539</u>	<u>81,965</u>	<u>1,822</u>	<u>397,168</u>
As at 31 August 2021					
Cost	324,261	27,959	85,868	2,074	440,162
Accumulated depreciation	(36,419)	(2,420)	(3,903)	(252)	(42,994)
Net book amount	<u>287,842</u>	<u>25,539</u>	<u>81,965</u>	<u>1,822</u>	<u>397,168</u>

The land use rights represent the Group's interest in leasehold land that the Group has made prepayment for the lease of the land. These include the land lots for the school at Xinjian district of Nanchang city, Jiangxi province, the PRC, and at Weining Yi and Hui and Miao Autonomous County of Bijie city, Guizhou province, the PRC which are under leases of 50 years.

The Group's Jishi College and Yu Ren High School lease buildings for educational services under operating leases. The respective right-of-use assets are recorded in favorable leases and lease of buildings.

The impact to profit or loss and cash flows of the right-of-use assets is as follows:

	Eight months ended 31 August 2021 <i>RMB'000</i>	Year ended 31 December 2020 <i>RMB'000</i>
(i) Profit or loss:		
Depreciation of right-of-use assets, charged to cost of sales and administrative expenses	7,070	2,460
Interest expenses relating to lease liabilities, charged to finance costs	670	234
Rental expense relating to short-term leases, charged to administrative expenses	57	–
(ii) Cash flow:		
The cash outflow for leases presented as financing activities	<u>(22,978)</u>	<u>(1,721)</u>

10 INTANGIBLE ASSETS

	Goodwill <i>RMB'000</i>	Student base <i>RMB'000</i>	Computer software <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020				
Cost	–	–	6,776	6,776
Accumulated amortisation	–	–	(6,258)	(6,258)
Net book amount	<u>–</u>	<u>–</u>	<u>518</u>	<u>518</u>
Year ended 31 December 2020				
Opening net book amount	–	–	518	518
Acquisition of a subsidiary	152,484	11,557	–	164,041
Additions	–	–	155	155
Amortisation	–	–	(140)	(140)
Closing net book amount	<u>152,484</u>	<u>11,557</u>	<u>533</u>	<u>164,574</u>
At 31 December 2020				
Cost	152,484	11,557	3,060	167,101
Accumulated amortisation	–	–	(2,527)	(2,527)
Net book amount	<u>152,484</u>	<u>11,557</u>	<u>533</u>	<u>164,574</u>
Eight months ended 31 August 2021				
Opening net book amount	152,484	11,557	533	164,574
Acquisition of subsidiaries	109,035	26,738	–	135,773
Amortisation	–	(9,098)	(95)	(9,193)
Closing net book amount	<u>261,519</u>	<u>29,197</u>	<u>438</u>	<u>291,154</u>
At 31 August 2021				
Cost	261,519	38,295	3,043	302,857
Accumulated amortisation	–	(9,098)	(2,605)	(11,703)
Net book amount	<u>261,519</u>	<u>29,197</u>	<u>438</u>	<u>291,154</u>

Amortisation of the intangible assets was included in the following categories in the consolidated statements of comprehensive income:

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
Cost of revenue	9,177	129
Administrative expenses	6	8
Other expenses	10	3
Total	<u>9,193</u>	<u>140</u>

11 OTHER NON-CURRENT ASSETS

	As at 31 August 2021 RMB'000	As at 31 December 2020 RMB'000
Prepayments for purchases of property, plant and equipment	33,181	19,922
Deposit for a cooperate project	–	74,000
Deposit for a potential acquisition target	–	135,000
	<u>33,181</u>	<u>228,922</u>

On 28 October 2020, Nanchang Di Guan, a subsidiary of the Group, entered into a memorandum of intent with the holding company and the ultimate owners of Guizhou Institute in relation to the intention of acquisition of Guizhou Institute by the Group. Pursuant to the memorandum of intent, the Group made a deposit amounting to RMB135,000,000 to the ultimate owner of Guizhou Institute. In addition, the Group made a deposit of RMB74,000,000 to Guizhou Institute as a performance guarantee for the provision of management services to the operations of Guizhou Institute. The Group completed the acquisition of Guizhou Institute on 30 April 2021, and the deposit of RMB135,000,000 had been applied to offset the consideration payable for the acquisition of Guizhou Institute (Note 19 (a)), and the deposit of RMB74,000,000 was eliminated upon consolidation of Guizhou Institute post acquisition.

12 TRADE RECEIVABLES

	As at 31 August 2021 RMB'000	As at 31 December 2020 RMB'000
Trade receivables		
— related to students fees	52,893	16,432
— related to other services	10,103	20,927
	<u>62,996</u>	<u>37,359</u>
Provision for impairment	<u>(10,906)</u>	<u>(11,362)</u>
	<u>52,090</u>	<u>25,997</u>

(a) Ageing analysis of the trade receivables

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school years, which normally commences in September of the year. The trade receivables represent tuition and boarding fees receivable from students who have not settled the fees on time. There is no significant concentration of credit risk.

Guizhou Institute also provides education services for veterans whose tuition fees will be subsidised by the government according to policies issued by authorities in Guizhou Province. As at 31 August 2021, the balance of trade receivables related to provision of education services for veterans amounted to about RMB35.0 million. The Group has applied for payment of tuition fees from the government.

As at 31 August 2021 and 31 December 2020, the ageing analysis of the trade receivables based on the transaction date is as follows:

	As at 31 August 2021 RMB'000	As at 31 December 2020 RMB'000
Up to 1 year	43,896	31,298
1 to 2 years	17,681	4,335
2 to 3 years	1,394	1,403
Over 3 years	25	323
	<u>62,996</u>	<u>37,359</u>

(a) *Impairment of trade receivables*

Movements in the provision for impairment of trade receivables are as follows:

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
At the beginning of the period/year	11,362	8,971
Provision for receivables impairment loss	5,378	7,753
Written-off of uncollectible receivables	(5,834)	(5,362)
	<u>10,906</u>	<u>11,362</u>

(b) *Fair values of trade receivables*

The carrying amounts of trade receivables approximated their fair values as at the balance sheet date and were denominated in RMB.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
Current assets		
Financial assets at FVPL		
— Equity investment, listed (a)	42,508	41,592
— Debt investment, unlisted (b)	—	4,095
	<u>42,508</u>	<u>45,687</u>

(a) Equity investment

Movements in equity investment is analysed as follows:

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
Securities listed on the Hong Kong Stock Exchange		
At 1 January	41,592	–
Additions	–	46,955
Disposals	(117)	(967)
Fair value gains/(losses)	1,573	(754)
Foreign exchange losses	(540)	(3,642)
	<u>42,508</u>	<u>41,592</u>
At the end of period/year	<u>42,508</u>	<u>41,592</u>

As at 31 August 2021, equity investment financial assets at FVPL represented the Group's equity investment in companies listed on the Hong Kong Stock Exchange, which are quoted on an active market. Due to the market volatility, the fair value of the Group's equity investment decreased sharply after the balance date. There is a major uncertainty about whether the loss can be reduced in the future.

The equity investment financial asset at FVPL are pledged as security for the Group's borrowings from a financial institution amounting to RMB3,885,000 (2020: RMB4,098,000) (note 15).

(b) Debt investment

Movements in debt investment is analysed as follows:

	Eight months ended 31 August 2021 RMB'000	Year ended 31 December 2020 RMB'000
Wealth management products purchased from banks		
At 1 January	4,095	–
Additions	–	4,000
Disposals	(4,095)	–
Fair value gains	–	95
	<u>–</u>	<u>95</u>
At the end of period/year	<u>–</u>	<u>4,095</u>

The financial assets at FVPL are denominated in the following currencies:

	As at 31 August 2021 RMB'000	As at 31 December 2020 RMB'000
HKD	42,508	41,592
RMB	—	4,095
	<u>42,508</u>	<u>45,687</u>

14 ACCRUALS AND OTHER PAYABLES

	As at 31 August 2021 RMB'000	As at 31 December 2020 RMB'000
Employee benefit payables	14,765	9,311
Payables for purchases of property, plant and equipment	22,947	19,946
Payables to suppliers on behalf of students	8,861	6,921
Payables to students:		
— Prepayments received from students (a)	3,489	3,913
— Government subsidies and other payables to students (b)	17,419	5,580
— Insurance fund from government (c)	5,334	5,323
Retention money payables for campus constructions	2,622	1,144
Other taxes payable	5,716	7,387
Payables for the acquisition of subsidiaries	27,521	89,800
Other payables and accruals	19,549	13,811
	<u>128,223</u>	<u>163,136</u>

- (a) The Group purchases books and other materials from suppliers on behalf of students and receives prepayments from students.
- (b) The Group receives subsidies from government for distribution to students as scholarship, subsidies or other forms of incentives to students.
- (c) The Group receives medical insurance funds from government for payment to students when they apply with related reimbursement supporting.

The carrying amounts of accruals and other payables approximated their fair value at the balance sheet date and were dominated in RMB.

15 BORROWINGS

	As at 31 August 2021 RMB'000	As at 31 December 2020 RMB'000
Non-current:		
Long-term bank borrowings, secured	615,350	454,500
Long-term bank borrowings, unsecured	18,500	12,000
Long-term borrowings from a financial institution, secured	61,895	60,326
Borrowing under finance lease arrangement	307,593	–
	<u>1,003,338</u>	<u>526,826</u>
Current:		
Current portion of long-term bank borrowings, secured	98,542	56,110
Current portion of long-term bank borrowings, unsecured	24,000	16,000
Current portion of long-term borrowings from a financial institution, secured	15,111	15,750
Short-term bank borrowings, secured	–	30,000
Short-term bank borrowings, unsecured	–	70,000
Short-term borrowings from a financial institution, secured	3,885	4,098
Borrowing under finance lease arrangement	98,330	–
	<u>239,868</u>	<u>191,958</u>
Total borrowings	<u><u>1,243,206</u></u>	<u><u>718,784</u></u>

(a) Details of securities and guarantees to the borrowings

The Group's long-term bank borrowings, secured as at 31 August 2021 of RMB713,892,000 (31 December 2020: RMB510,610,000) were obtained in the PRC, secured by the pledge of the rights over the tuition fees and boarding fees of the Group's schools (note 3(a)), shares of a subsidiary and supported by guarantees provided by subsidiaries of the Group, Mr. Huang Yulin and his family members.

The Group's long-term bank borrowings, unsecured as at 31 August 2021 of RMB42,500,000 (31 December 2020: RMB28,000,000) were obtained in the PRC and supported by guarantees provided by Mr. Huang Yulin and his family members.

The Group's long-term borrowings from a financial institution of RMB77,006,000 (31 December 2020: RMB76,076,000) were obtained in the PRC, secured by the pledge of the rights over the tuition fees and boarding fees of the Group's school, and supported by guarantees provided by subsidiaries of the Group, Mr. Huang Yulin and his family members.

The Group's borrowing under finance lease arrangement of RMB405,923,000 (31 December 2020: Nil) were secured by the pledge of the Group's property, plant and equipment, shares of a subsidiary, rights over the tuition fees and boarding fees of the Group's schools, and supported by guarantees provided by subsidiaries of the Group, Mr. Huang Yulin and his family members.

The Group's short-term borrowings from a financial institution were obtained in Hong Kong and secured by the pledge of the equity investment of the Group (note 13).

(b) Repayment periods

The Group's borrowings as at the balance sheet date are repayable as follows:

	As at 31 August 2021 RMB'000	As at 31 December 2020 RMB'000
Within 1 year	239,868	191,958
Between 1 and 2 years	394,652	144,899
Between 2 and 5 years	408,686	262,927
Over 5 years	200,000	119,000
Total	<u>1,243,206</u>	<u>718,784</u>

(c) Denomination currency

The Group's borrowings are denominated in the following currencies:

	As at 31 August 2021 RMB'000	As at 31 December 2020 RMB'000
RMB	1,239,321	714,686
HKD	3,885	4,098
	<u>1,243,206</u>	<u>718,784</u>

The carrying amounts for majority of the borrowings approximated their fair values as they were carried at floating interest rates.

(d) Borrowing facilities

The Group has the following undrawn bank borrowing facilities:

	As at 31 August 2021 RMB'000	As at 31 December 2020 RMB'000
— Expiring within one year	50,000	—
— Expiring beyond one year	140,000	332,000
	<u>190,000</u>	<u>332,000</u>

16 LEASE LIABILITIES

	As at 31 August 2021			As at 31 December 2020		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Buildings	1,799	60,731	62,530	2,043	5,130	7,173
Equipment	290	1,568	1,858	290	1,511	1,801
Total	<u>2,089</u>	<u>62,299</u>	<u>64,388</u>	<u>2,333</u>	<u>6,641</u>	<u>8,974</u>

The Group leases buildings and equipment for its operations and these liabilities were measured at the net present value of the lease payments during the lease terms that are not yet paid.

17 OTHER NON-CURRENT PAYABLES

	As at 31 August 2021 RMB'000	As at 31 December 2020 RMB'000
Payables to government authority in respect of government grants received	274,479	–
Others	1,940	1,819
	<u>276,419</u>	<u>1,819</u>

The Group recognised non-current other payables to government authority amounting to RMB269,670,000 as at 30 April 2021 (note 19), the date of acquisition of Guizhou Institute from a third party, and RMB274,479,000 as at 31 August 2021, the balance sheet date for the current reporting period. The payables to government authority were related to government grants received by Guizhou Institute and Guizhou Xikai Education Investment Company Limited, the sponsor company of Guizhou Institute, for the construction of the school campus of the predecessor school of Guizhou Institute in the past years. The government grants were assessed to be with ongoing conditions and requirements that have not been fully fulfilled by Guizhou Institute and its sponsor, and accordingly the grants were recognised as payable were stated at their fair values as at the date of acquisition of Guizhou Institute according to IFRS 3 “Business combinations”.

18 DIVIDENDS

	As at 31 August 2021 RMB'000	As at 31 December 2020 RMB'000
Nil final dividends (For the year ended 31 December 2020: RMB0.0187) per ordinary share	–	18,700

At a meeting of the Board held on 30 November 2021, the Board resolved not to propose a final dividend in respect of the eight months ended 31 August 2021. The dividend paid during the eight months ended 31 August 2021 amounted to RMB18,643,000 (year ended 31 December 2020: RMB18,800,000) which was related to the dividends proposed for the year ended 31 December 2020.

19 BUSINESS COMBINATION

(a) Acquisition of 100% equity interest in Guizhou Institute

On 27 April 2021, a subsidiary of the Company, Nanchang Di Guan, entered into an agreement with a third party to acquire 100% of the equity interest in Guizhou Xikai Education Investment Company Limited, which is the sponsor of and holds 100% ownership of Guizhou Institute. The total purchase consideration was RMB300,000,000, payable in cash, and the identifiable net assets acquired was RMB259,197,000. The acquisition was completed on 30 April 2021.

Details of the purchase consideration, the identifiable net assets acquired and the resultant goodwill are as follows:

	<i>RMB'000</i>
Purchase consideration:	
Cash paid during the period	155,647
Offset deposit made in the prior year (<i>note 11</i>)	135,000
Consideration payable (<i>note 14</i>)	9,353
	<hr/>
Total purchase consideration	<u>300,000</u>

Acquisition-related costs amounting to RMB300,000 were excluded from the purchase consideration and were recognised as expenses during the eight months ended 31 August 2021.

The identifiable assets and liabilities recognised at the date of acquisition are as follows:

	Fair value <i>RMB'000</i>
Cash and cash equivalents	3,925
Trade receivables	27,353
Other receivables and prepayments	11,069
Prepayment for non-current assets	50
Property, plant and equipment (<i>note 8</i>)	444,752
Right-of-use assets — land use rights (<i>note 9</i>)	250,615
Intangible assets — student base (<i>note 10</i>)	17,760
Other non-current payables	(269,670)
Borrowings	(132,404)
Trade and other payables	(86,696)
Contract liabilities	(7,557)
	<hr/>
Total identifiable net assets at fair value	<u>259,197</u>

Goodwill arising on acquisition:

	<i>RMB'000</i>
Purchase consideration	300,000
Less: Fair value of identifiable net assets acquired	(259,197)
	<hr/>
Goodwill arising on acquisition (<i>note 10</i>)	<u>40,803</u>

Net cash outflow during the period in relation to the acquisition:

	<i>RMB'000</i>
Consideration paid in cash	155,647
Less: cash and cash equivalent balances acquired	<u>(3,925)</u>
Net outflow of cash — investing activities	<u><u>151,722</u></u>

Impact of acquisition on the results of the Group:

The acquired business contributed revenues of RMB18,348,000 and net loss of RMB6,157,000 to the Group for the period from the date of acquisition of 30 April 2021 to 31 August 2021.

(b) Acquisition of 100% equity interest in Yu Ren High School

On 31 July 2021, a subsidiary of the Company, Nanchang Di Guan Education, entered into an agreement with third parties to acquire 100% of the equity interest in Henan Kun Ren Education Science Technology Company Limited, which is the sponsor of and holds 100% ownership of Yu Ren High School. The total purchase consideration was RMB80,000,000, payable in cash, and the identifiable net assets acquired was RMB11,768,000. The acquisition was completed on 31 July 2021.

Details of the purchase consideration, the identifiable net assets acquired and the resultant goodwill are as follows:

	<i>RMB'000</i>
Purchase consideration:	
Cash paid	61,832
Consideration payable (<i>note 14</i>)	<u>18,168</u>
Total purchase consideration	<u><u>80,000</u></u>

Acquisition-related costs amounting to RMB142,000 were excluded from the purchase consideration and were recognised as expenses during the eight months ended 31 August 2021.

The identifiable assets and liabilities recognised at the date of acquisition are as follows:

	Fair value <i>RMB'000</i>
Cash and cash equivalents	22,215
Trade receivables	410
Other receivables and prepayments	450
Right-of-use assets — lease of buildings (<i>note 9</i>)	77,052
Property, plant and equipment (<i>note 8</i>)	10,243
Intangible assets — student base (<i>note 10</i>)	8,978
Lease liability	(77,052)
Trade and other payables	(363)
Contract liabilities	<u>(30,165)</u>
Total identifiable net assets at fair value	<u><u>11,768</u></u>

Goodwill arising on acquisition:

	<i>RMB'000</i>
Purchase consideration	80,000
Less: Fair value of identifiable net assets acquired	<u>(11,768)</u>
Goodwill arising on acquisition	<u><u>68,232</u></u>

Net cash outflow during the period on the acquisition:

	<i>RMB'000</i>
Consideration paid in cash	61,832
Less: cash and cash equivalent balances acquired	<u>(22,215)</u>
Net outflow of cash — investing activities	<u><u>39,617</u></u>

Impact of acquisition on the results of the Group:

The acquired business contributed no revenues and net loss of RMB2,604,000 to the Group for the period from the date of acquisition of 31 July 2021 to 31 August 2021.

Goodwill arose in the acquisition of Guizhou Institute and Yu Ren High School because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the revenue growth, future market development and preferential policy of the acquired schools. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

20 COMMITMENTS

(a) Capital expenditure commitments

Significant capital expenditure commitments are set out below:

	As at 31 August 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
Contracted but not recognised as liabilities		
— Commitments for acquisition of property, plant and equipment	<u><u>475,430</u></u>	<u><u>197,751</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are one of the leading providers of private comprehensive education services in Jiangxi Province, China, with years of experience in the private comprehensive education service industry. As at 31 August 2021, we operate one private university, namely the Jiangxi University of Applied Science (江西應用科技學院) (the “**JUAS**”), two full-time vocational colleges, namely Jiangxi Wenli Jishi College (江西文理技師學院) (“**Jishi College**”) and Guizhou Institute of Industry and Trade (貴州工貿職業學院) (“**Guizhou Institute**”) and one high school, namely Zhengzhou Airport Economy Zone Yu Ren High School (鄭州航空港區育人高級中學) (“**Yu Ren High School**”) (together with JUAS, Jishi College and Guizhou Institute and Yu Ren High School, collectively referred to as the “**Schools**”). We also offer undergraduate college programs, junior college programs, vocational programs and high school programs, as well as diverse education related services. As at 31 August 2021, our Schools had 23,659 enrolled students, consisting of 6,848 undergraduate students, 11,636 junior college students, 4,325 vocational school students and 850 high school students. We also provide a variety of education related services including internship management services as well as tutoring and program management services to enterprises and education institutions.

Our mission is to cultivate innovative talents with practical skills and knowledge, and to provide talent support for the development of urbanization in China (為新型城鎮化建設與管理培養高層次、高技能、創新型和應用型人才). Our fundamental educational philosophy is to foster talents with “upright personality, comprehensive theoretical knowledge and practical skills (培養具有健全人格、複合專業與實踐能力的人才)” by implementing our “Three-element Talent Cultivation (三元育人)” mode. We aim to provide quality education services in a manner consistent with our mission and educational philosophy.

Our Schools offer undergraduate programs, junior college programs, vocational programs and high school programs as of 31 August 2021. With a view of nurturing talents with practical skills, we are devoted to offering quality private education to our students and providing diversified programs and curriculums encompassing a broad range of market-oriented fields of study and career trainings, including, among others, international business, e-commerce, logistics management, internet-of-things, civil engineering, software engineering, mechanical manufacturing and automation, and robotics engineering. Based on our market research, we carefully design and regularly review and adjust our program and course offerings at our Schools. We believe our practical programs and curriculums equip our students with practical skills that meet the rapidly evolving market demand. We also cooperate with a number of sizable enterprises to provide our students with internship and potential employment opportunities. We have achieved favorable graduate employment outcome for our students.

Our Schools

As of 31 August 2021, our Group owns four schools within the PRC, including one private university, one junior college, one vocational college and one high school.

Jiangxi University of Applied Science

JUAS is one private university located in Nanchang, Jiangxi province, PRC. It was established in 2002 by the chairman of the Board Mr. Huang Yulin (黄玉林) and it offers undergraduate and junior college programs, as well as diverse education related services.

Jiangxi Wenli Jishi College

Jishi College is a junior college located in Nanchang, Jiangxi Province, PRC. It was established in 2019 and offers vocational programs. It was acquired by our Group on 23 December 2020 from an Independent Third Party.

Guizhou Institute of Industry and Trade

Guizhou Institute is a vocational college located in Bijie, Guizhou Province, PRC. It was established in 2016 and offers vocational programs and junior college programs. On 27 April 2021, it was acquired by our Group from an Independent Third Party.

Zhengzhou Airport Economy Zone Yu Ren High School

Yu Ren High School is a high school located in Zhengzhou, Henan Province, PRC. It was established in 2017 and offers high school program. On 31 July 2021, it was acquired by our Group from an Independent Third Party.

Our Education Services

We derived approximately 95.53% of revenue from our education services for the eight months ended 31 August 2021, which include tuition fees for our undergraduate programs, junior college programs, vocational programs and high school programs as well as boarding fees. For the eight months ended 31 August 2021, our revenue from tuition fees and boarding fees amounted to approximately RMB188.45 million and RMB19.89 million respectively, representing an increase of approximately 66.45% and 128.10% respectively as compared with the eight months ended 31 August 2020.

The following table sets forth detailed information regarding the number of student enrollment of our Schools for the eight months ended 31 August 2021 and for the eight months ended 31 August 2020:

	Student Enrollment		% change
	For the eight months ended 31 August 2021	For the eight months ended 31 August 2020	
Higher education programs carried out by JUAS			
Undergraduate programs	6,848	4,472	53.13
Junior college programs	5,903	5,377	9.78
Vocational education programs carried out by Jishi College			
Vocational programs	3,394	N/A	N/A
Vocational education programs carried out by Guizhou Institute			
Junior college programs	5,733	N/A	N/A
Vocational programs	931	N/A	N/A
High school education programs carried out by Yu Ren High School			
High school education	850	N/A	N/A
Total	<u><u>23,659</u></u>	<u><u>9,849</u></u>	140.22

Notes:

- (1) The operating data for student enrollment presented in this table is based on records of our Schools submitted to competent PRC education authorities at the beginning of the corresponding school year.
- (2) Jishi College, Guizhou Institute and Yu Ren High School were acquired by our Group in December 2020, April 2021 and July 2021 respectively.

The following table sets forth information relation to the freshman students enrolled for the eight months ended 31 August 2021 and for the year ended 31 December 2020:

	For the eight months ended 31 August 2021	For the year ended 31 December 2020	% change
Freshman students enrolled ⁽¹⁾⁽²⁾			
— Higher education programs carried out by JUAS	7,127	7,127	–
— Vocational education programs carried out by Jishi College	1,853	1,853	N/A
— Vocational education programs carried out by Guizhou Institute ⁽⁵⁾	N/A	N/A	N/A
— High school education programs carried out by Yu Ren High School ⁽⁵⁾	N/A	N/A	N/A

The following table sets forth information relation to the average tuition fees per student for four types of programs and average boarding fees per student for the eight months ended 31 August 2021 and for the eight months ended 31 August 2020:

	For the eight months ended 31 August 2021	For the eight months ended 31 August 2020	% change
Average tuition fees ⁽³⁾			
Undergraduate programs (<i>RMB</i>)	12,854	12,054	6.64
Junior college programs (<i>RMB</i>)	7,013	11,030	(36.42)
Vocational programs (<i>RMB</i>)	4,351	N/A	N/A
High school program (<i>RMB</i>) ⁽⁶⁾	N/A	N/A	N/A
Average boarding fees ⁽⁴⁾	856	885	(3.28)

Notes:

- (1) Freshman students enrolled means the actual number of newly-enrolled students in each school year. For higher education programs, admission quota granted for each school year is generally determined by competent government authorities before the Gaokao prior to such school year.
- (2) Since freshman students are usually enrolled every September each year, the admission quota and quantity of freshman students enrolled for the eight months ended 31 August 2021 remained the same as those for the year ended 31 December 2020.
- (3) Average tuition fees is calculated by dividing the total tuition fees received by student enrollment in each school year.
- (4) Average boarding fees is calculated by dividing the total boarding fees received by student enrollment in each school year.

- (5) Since Guizhou Institute and Yu Ren High School were acquired by our Group in April 2021 and July 2021 respectively, there were no newly enrolled students for the eight months ended 31 August 2021.
- (6) Since Yu Ren High School were acquired by our Group in July 2021 and the tuition fees shall be paid to school at the beginning of each semester, there were no tuition fees of Yu Ren High School received by our Group for eight months ended 31 August 2021.

Our Education Related Services

In addition to tuition fees and boarding fees, for the eight months ended 31 August 2021, we also generate income by providing a variety of education related services. Our education related services mainly include (i) internship management services, through which we introduce qualified students from our Schools and other schools to participate in various internship programs, and (ii) a variety of tutoring and program management services, including qualification exam review services, personal development training services and education program management services offered to enterprises and education institutions. For the eight months ended 31 August 2021, our revenue generated from education related services amounted to approximately RMB2.12 million, representing an increase of approximately 8.72% as compared with the eight months ended 31 August 2020. The minor increase in revenue from education related services was primarily due to the increase of internship management fees.

REGULATORY UPDATE

Amendment Decision

The Decision of the Standing Committee of the National People's Congress on Amending the Law for Promoting Private Education of the PRC (全國人民代表大會常務委員會關於修改《中華人民共和國民辦教育促進法》的決定) (the "**Amendment Decision**") became effective on 29 December 2018. Pursuant to the Amendment Decision, the school sponsors of private schools providing non-compulsory education may, at their own discretion, elect to register the schools as for-profit private schools or non-profit private schools. In addition to the Amendment Decision, state-level government authorities also issued certain implementing rules. On 30 December 2016, five state-level government authorities, including the MOE, jointly issued the Implementing Measures on Classification Registration of Private Schools (民辦學校分類登記實施細則), specifying measures for the establishment and classification registration of private schools, and procedures for existing private schools to register as for-profit and non-profit private schools pursuant to provincial rules to be promulgated by local provincial governments. The Implementing Rules for the Supervision and Administration of For-Profit Private Schools (營利性民辦學校監督管理實施細則) were issued on 30 December 2016, specifying measures concerning the establishment, modification and termination of for-profit private schools, and the educational and teaching related activities and financial management conducted by for-profit private schools. In addition, the Several Opinions on Encouraging Social Support for Education to Promote Private Education (關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見) were issued on 29 December 2016, providing policies for promoting private education.

IMPLEMENTATION REGULATIONS

On the 14th May 2021, the PRC State Council issued the Implementation Regulations of the People's Republic of China on the Law Regarding the Promotion of Private Education (《中華人民共和國民辦教育促進法實施條例》) (the “**Implementation Regulations**”). The new regulations would be officially implemented on 1 September 2021, which may have a considerable impact on the education industry.

The Implementation Regulations primarily include: (i) a non-profit private school shall enjoy the same tax policies as that enjoyed by a public school and the relevant tax concession, and a for-profit school shall enjoy tax preferential treatments and other preferential policies applied to industries encouraged by the state for development, of which the specific provisions shall be formulated jointly by the administrative department for finance, taxation and other relevant administrative departments of the State Council; (ii) the local people's governments with the principle of treating non-profit private schools equally as public schools, and for schools that provide education for academic credentials, may provide lands by means of bid invitation, auction or listing, assigning contracts, long-term lease or combination of sale as well as rental, and may give appropriate preferential treatment on charges for the assignment or rental of land, and may permit payment in instalments; (iii) a non-profit private school shall use the accounts filed with the competent authorities for charging fees and financial transactions, and a for-profit private school shall deposit the income into a specific settlement account of its own; (iv) a private school shall conduct any connected transactions in a manner that is open, justified and fair and shall establish disclosure mechanisms for such transactions; and (v) any agreement involving material interests or any long-term and recurring agreement entered into between a non-profit private school and its connected party shall be reviewed by the relevant government authorities in terms of necessity, legitimacy and compliance.

So far as our Directors are aware, during the eight months ended 31 August 2021 and up the date of this announcement, there is no other material regulatory updates in relation to the foreign investment in the education sector in the PRC.

We have established a special committee (the “**Special Committee**”) to (i) pay close attention to the latest development of the relevant laws, regulations and policies on private education sector in the PRC (the “**Relevant Rules**”) and hold periodic meetings to discuss such development; (ii) where necessary, engage professional advisors, including PRC legal advisors, at the cost of the Company, to assist the Special Committee to understand the latest development of the Relevant Rules; and (iii) report and make recommendations to the Board for final decision based on the research reports and/or independent and professional advice as well as the Special Committee's major findings and preliminary conclusions. The Special Committee is chaired by Mr. Huang Yulin and comprises (i) three senior management members of our Company; (ii) two independent non-executive Directors with extensive experience in the education industry; and (iii) four senior management members of the Schools who are responsible for the day-to-day management and operation affairs of the Schools.

PRINCIPAL RISKS RELATING TO OUR BUSINESS

There are certain risks involved in our operations and our prospects and future financial results could be materially and adversely affected by these risks. The following highlights the principal risks exposed to the Group and is not meant to be exhaustive:

- we are subject to uncertainties brought by the Amendment Decision and the Implementation Regulations;
- our business is largely dependent on the market recognition of our brand and the reputation of our Schools and our Group;
- we generate a substantial portion of our revenue from operating one university and one vocational college in Jiangxi Province, one vocational and junior college in Guizhou Province and one high school in Henan Province;
- We have high gearing ratio and may be exposed to liquidation risks, since we rely on borrowings to finance for the Group's expansion through acquisition of schools and further investment in existing schools, and our business, financial condition and results of operation may be materially and adversely affected as a result;
- the level of tuition and boarding fees we are able to charge and our ability to maintain and raise the level of tuition and boarding fees are crucial to our business;
- our business operations depend on our ability to recruit and retain our senior management, qualified teachers and other professional employees;
- we may not be able to maintain good relationship with our existing cooperative enterprises, successfully compete with our competitors or find new cooperative enterprises, any of which may materially and adversely affect the business and prospects of our internship management service; and
- we may not be able to successfully deliver and expand our tutoring and program management services, which could adversely affect our business and prospects.

OUTLOOK AND GROWTH STRATEGIES

The private education sector in China has been growing rapidly in recent years primarily driven by the increasing demand for private education, growing market demand for talents with practical skills, increasing diversification and strengthened education quality, as well as governmental support. We believe that in 2022, China's private education sector will remain on a secular growth trend and there is significant potential with opportunities.

To achieve our goals, in 2022, we intend to pursue the following business strategies:

- **Continue to improve our school facilities, enhance our brand recognition and reputation, and expand our business and school network**

To benefit from and seize the growth opportunities in the private education industry in China, we will continue offering quality education and attracting more talents to our Schools. As an important measure to enhance our education services, we will continue to construct, renovate and upgrade the facilities and infrastructure of our current School campus.

- **Continue to optimize our program and course offerings in order to enhance the competitiveness of our students**

As an education service provider, the quality and coverage of the programs and course offerings are crucial for our Schools in providing quality education services. We intend to improve our education quality, expand the scale of our business operations and diversify our revenue primarily through optimize program offerings, strengthen school-enterprise collaboration and international collaboration, and develop online education courses.

- **Further strengthen and diversify our education related services**

We believe that the provision of education related services has substantial market potential in China. To continue improving our profitability, we plan to further strengthen and diversify our education related services. We believe a diverse portfolio of educational services provided by us will be instrumental in enhancing our brand awareness and widening our revenue base. We plan to explore the opportunities to cooperate with other education providers to secure more qualified students for our internship management services. We also intend to proactively identify and cooperate with more suitable education institutions in Jiangxi Province as well as other regions in China. On the other hand, leveraging our reputation in the private education industry, we plan to seek cooperation opportunities with more enterprises located in developed areas in China, thereby further grow our internship management services.

- **Continue to attract, train and retain talented teachers and other professionals**

We believe that hiring, retaining and training outstanding teachers is crucial in providing quality education to students. We intend to continue attracting and retaining teachers with professional expertise, teaching experience and/or work experience in relevant fields. To achieve this goal, we will continue applying high standards in our recruitment of teachers, and target applicants who have postgraduate degree or have extensive work experience in relevant field. We plan to expand our faculty team with more “double qualification teachers”, experienced technical experts, well-recognized business administrators, and other personnel with expertise who are qualified to deliver skill-focused curriculums at our Schools on either full-time or part-time basis. In addition, we also intend to hire professors from other education institutions with experience to serve in academic leadership roles at our Schools.

CORONAVIRUS (“COVID-19”) IMPACT

After the outbreak of the COVID-19 in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, including the extension of the Chinese New Year holiday nationwide, postponement of work and school resumption in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing, etc.

In the view of the outbreak of the COVID-19, the Group has taken a series of necessary health precaution to mitigate the potential impact of the COVID-19 outbreak, including the implementation of prevention and control policies released by the relevant government authorities. However, with the ‘back to normal’ policy of Jiangxi Province and Guizhou Province, the 2021 spring semester started as usual and teachers and students were able to return to schools.

As a result, considering that the Group’s revenue and gross profit recorded increases as of 31 August 2021, the Directors are of the view that the Group is able to resist the impact of the COVID-19. As of the date of this announcement, the Group does not anticipate any significant financial impact resulting from the COVID-19, following which the Group will pay close attention to the situation of the COVID-19 and continue to assess the impact of the epidemic disease on the Group’s finances and operations from time to time, as the case may be.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the eight months ended 31 August 2021.

FINANCIAL REVIEW

Revenue

The following table sets forth the breakdown of our revenue for the eight months ended 31 August 2021 and 2020:

	For eight months ended 31 August		Period-to-period change	
	2021 (RMB'000)	2020 (RMB'000)	(RMB'000)	%
Education Services				
Tuition fees				
Undergraduate programs	88,027	53,909	34,118	63.29
Junior college programs	81,600	59,305	22,295	37.59
Vocational college programs	18,818	–	18,818	N/A
High school programs	N/A	N/A	N/A	N/A
Boarding fees	19,894	11,623	8,271	71.16
Sub-total	208,339	124,837	83,502	66.89
Education related services				
Internship management fees	1,029	480	549	114.38
Tutoring and program management fees	1,092	1,475	(383)	(25.97)
Sub-total	2,121	1,955	166	8.49
Other services	7,622	2,157	5,465	253.36
Total	218,082	128,949	89,133	69.12

The annual results covered a period of eight months from 1 January 2021 to 31 August 2021. To provide meaningful comparative information, the Group prepared pro forma financial information covering the twelve-month period ended 31 August 2021 and 31 August 2020 (the “**Pro Forma Period**”), and such pro forma figures are detailed in the following table and have not been audited.

	For the year ended		Year-on-year change	
	31 August			
	2021	2020		
	(RMB'000)	(RMB'000)	(RMB'000)	%
Total revenue	403,352	302,384	100,968	33.39
Revenue	380,067	262,442	117,625	44.82
Cost of sales	(180,979)	(92,630)	(88,349)	95.38
Gross profit	199,088	169,812	29,276	17.24
Profit before tax	65,350	83,536	(18,186)	(21.77)
Net profit for the year	62,811	78,319	(15,508)	(19.80)

Note:

The pro forma financial information for the twelve months ended 31 August 2021 is comprised of (1) the financial results for the period from 1 September 2020 to 31 December 2020, which derived from the 2020 annual financial results after deduction of the financial results (unaudited) for the eight months from 1 January to 31 August 2020 and (2) the eight-month financial results derived from the annual financial results (audited) for the eight months ended 31 August 2021.

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 (the four-month financial results derived on a proportional basis from the financial results of the period from 1 July 2019 to 31 December 2019) and (2) the financial results (unaudited) for the eight months from 1 January 2020 to 31 August 2020.

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

The following table sets forth the breakdown of our pro forma revenue for the year ended 31 August 2021 and 2020:

	For the year ended 31 August		Year-on-year change	
	2021 (RMB'000)	2020 (RMB'000)	(RMB'000)	%
Education Services				
Tuition fees				
Undergraduate programs	169,328	97,956	71,372	72.86
Junior college programs	123,666	106,146	17,520	16.51
Vocational college programs	18,818	–	18,818	N/A
High school programs	–	–	–	N/A
Boarding fees	33,063	19,602	13,461	68.67
Sub-total	344,875	223,704	121,171	54.17
Education related services				
Internship management fees	3,673	7,881	(4,208)	(53.39)
Tutoring and program management fees	17,045	24,143	(7,098)	(29.40)
Sub-total	20,718	32,025	(11,307)	(35.31)
Other services	14,474	6,713	7,761	115.61
Total	380,067	262,442	117,625	44.82

For the eight months ended 31 August 2021, our total revenue was approximately RMB218.08 million. The pro forma revenue increased by 33.39% from pro forma revenue of RMB302.38 million for the year ended 31 August 2020 to RMB403.35 million for the year ended 31 August 2021. This was mainly attributable to the growth in the number of students enrolled in our undergraduate programs of JUAS and the increase of schools acquired by our Groups.

Tuition fees and boarding fees contributed to the majority of our total revenue. We generally require our students to pay tuition and boarding fees for the entire school year at the commencement of the school year, which fees are recognized proportionately over the relevant period of the applicable programs.

- For the eight months ended 31 August 2021, our revenue from tuition fees amounted to approximately RMB188.45 million. The pro forma revenue from tuition fees increased by 52.77% from the pro forma tuition fees of RMB204.10 million for the year ended 31 August 2020 to RMB311.81 million for the year ended 31 August 2021. This was mainly attributable to the growth in the number of enrolled students from 9,849 for the year ended 31 August 2020 to 23,659 for the year ended 31 August 2021. For the year ended 31 August 2021, the average tuition fees of our undergraduate programs increased by approximately 6.64% as compared with the year ended 31 August 2020; while the average

tuition fees of our junior college programs decreased by approximately 36.42% as compared with the year ended 31 August 2020. Such decrease was due to the tuition fees from Jishi College and Guizhou Institute is lower than the tuition fees from JUAS.

Our revenue generated from education related services for the year ended 31 August 2021 consisted of internship management fees as well as tutoring and program management fees.

- For the eight months ended 31 August 2021, our internship management fees amounted to approximately RMB1.03 million. The pro forma internship management fees for the year ended 31 August 2021 represents a decrease of approximately 53.39% from pro forma internship management fees of RMB7.88 million for the year ended 31 August 2020 to RMB3.67 million for the year ended 31 August 2021. This was mainly attributable to the precautionary and control measures imposed by the government authorities to mitigate the potential impact of COVID-19 outbreak, resulted in the cancellation of a number of internship programs.
- For the eight months ended 31 August 2021, our tutoring and program management fees amounted to approximately RMB1.09 million. The pro forma tutoring and program management fees for the year ended 31 August 2021 represents a decrease of approximately 29.40% from pro forma tutoring and program management fees of RMB24.14 million for the year ended 31 August 2020 to RMB17.05 million for the year ended 31 August 2021. This was mainly attributable to the precautionary and control measures imposed by the government authorities to mitigate the potential impact of COVID-19 outbreak, resulted in the cancellation of a number of tutoring programs.

Our revenue generated from other services was primarily derived from miscellaneous charges to students and commission income from book suppliers. The fee received from other services is recognized as revenue when relevant service is rendered to the customers. For the eight months ended 31 August 2021, our revenue generated from other services amounted to approximately RMB7.62 million. The pro forma fee received from other services increase by approximately 115.61% from the pro forma fee received from other services of RMB6.71 million for the year ended 31 August 2020 to RMB14.47 million for the year ended 31 August 2021. This was mainly attributable to the growth in the number of students and increase in the quantity of schools acquired by our Groups for the year ended 31 August 2021.

Cost of Revenue

Our cost of revenue primarily consisted of employee benefit expenses, depreciation and amortization expenses, students activities expenses, educational supplies and consumables, repair and maintenance and others. For the eight months ended 31 August 2021, the cost of revenue of the Group amounted to approximately RMB134.36 million. The pro forma cost of revenue increase by 95.38% from the pro forma cost of revenue of RMB92.63 million for the year ended 31 August 2020 to RMB180.98 million for the year ended 31 August 2021. The increase was mainly attributable to the increase in employee benefit expenses amounted to approximately RMB38.9 million and the increase in schools acquired by our Group for the year ended 31 August 2021.

Gross Profit and Gross Profit Margin

Our gross profit was approximately RMB83.72 million for the eight months ended 31 August 2021. The pro forma gross profit increase by 17.24% from the pro forma gross profit of RMB169.81 million for the year ended 31 August 2020 to RMB199.09 million for the year ended 31 August 2021. Our gross profit margin was approximately 52.38% for the year ended 31 August 2021 as compared with approximately 64.70% for the year ended 31 August 2020. This is mainly because the Group's revenue is subject to seasonal fluctuations.

Other Income

Other income primarily include government grants, commission income, sub-contracting income and others. For the eight months ended 31 August 2021, the Group's other income amounted to approximately RMB7.41 million. The pro forma other income decrease by approximately 41.70% from the pro forma other income of RMB39.94 million for the year ended 31 August 2020 to RMB23.29 million for the year ended 31 August 2021. Such decrease was mainly because we recognised RMB12 million congratulatory subsidies from government on the listing of shares of the Company on the Hong Kong Stock Exchange at the end of 2019 and the income from others of JUAS decreased.

Expenses

Selling Expenses

Our selling expenses primarily consisted of promotion expenses, travelling and office expenses, and others which mainly included costs incurred for promotional materials in connection with student recruitment. For the eight months ended 31 August 2021, our selling expenses amounted to approximately RMB0.47 million. The pro forma selling expenses decrease by 13.60% from the pro forma selling expenses of RMB6.79 million for the year ended 31 August 2020 to RMB5.86 million for the year ended 31 August 2021. The decrease of the selling expenses was mainly because the student recruitment expenses decreased.

Administrative Expenses

Our administrative expenses primarily consisted of (i) employee benefit expenses for administrative staff, (ii) depreciation and amortization expenses for administrative facilities, (iii) professional service fees, (iv) repair and maintenance expenses for administrative facilities, and (v) general office expenses mainly including office expenses and transportation expenses, and other expenses of similar nature. For the eight months ended 31 August 2021, our administrative expenses amounted to approximately RMB56.72 million. The pro forma administrative expenses increase by approximately 4.87% from the pro forma administrative expenses of RMB91.97 million for the year ended 31 August 2020 to RMB96.44 million for the year ended 31 August 2021. Such increase was mainly attributable to the increase in employee benefit expenses, depreciation and amortization subsequent to the acquisition of schools for the year ended 31 August 2021.

Finance Costs — net

Our net finance costs reflected the sum of interest expenses we paid on bank borrowings and other borrowings after netting off the interest income we received from cash and cash equivalents. For the eight months ended 31 August 2021, our net finance costs were RMB37.32 million. The pro forma net finance costs increase by approximately 79.79% from the pro forma net finance costs of RMB24.59 million for the year ended 31 August 2020 to approximately RMB44.20 million for the year ended 31 August 2021, which was mainly due to the increase of borrowings, which was used to finance the acquisition and construction of Schools.

Income Tax Expenses

For the eight months ended 31 August 2021, our income tax expenses primarily consisted of PRC Enterprise Income Tax. Our income tax expenses were approximately RMB1.98 million for the eight months ended 31 August 2021. The pro forma income tax expenses decrease by approximately 51.33% from the pro forma income tax expense RMB5.22 million for the year ended 31 August 2020 to RMB2.54 million for the year ended 31 August 2021. We recognised the one-off RMB12 million congratulatory subsidies from government on the listing of shares of the Company on the Hong Kong Stock Exchange at the end of 2019, therefore the income tax expenses decreased for the year ended 31 August 2021.

Other Expenses

Other expenses primarily consisted of employee benefit expenses, depreciation and amortization expenses. For the eight months ended 31 August 2021, our other expenses amounted to approximately RMB3.21 million. The pro forma other expenses increase by approximately 74.36% from the pro forma other expenses RMB3.94 million for the year ended 31 August 2020 to RMB6.86 million for the year ended 31 August 2021, which was caused by the increase in employee benefit expenses, depreciation and amortization.

(Loss)/Profit for the period/year

For the eight months ended 31 August 2021, our loss amounted to approximately RMB18.72 million. The pro forma profit for the year decrease by approximately 19.80% from the pro forma profit RMB78.32 million for the year ended 31 August 2020 to RMB62.81 million for the year ended 31 August 2021. Such decrease was mainly attributable to the increase in employee benefit expenses, numbers of employees, properties and additional amortization of intangible asset from newly acquired schools, interest expenses and the RMB5 million write-off congratulatory subsidies from government on the listing of shares of the Company on the Hong Kong Stock Exchange.

Financial Positions

As at 31 August 2021, our total equity was approximately RMB845.13 million, as compared with approximately RMB876.38 million as at 31 December 2020. The decrease in equity was mainly attributable to the consolidation of loss of the Group and decrease in retained earnings due to dividend payment for the eight months ended 31 August 2021.

As at 31 August 2021, our current assets were approximately RMB474.35 million, as compared with approximately RMB542.96 million as at 31 December 2020. The decrease was mainly attributable to the decrease in cash and cash equivalents, term deposit and restricted bank balances.

Liquidity and Capital Resources

Our primary uses of cash are to fund our working capital requirement, loan repayment and related interest expenses. As at the date of this announcement, we have funded our operations principally with the cash generated from our operations, borrowings, and net proceeds from Global Offering. In the future, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, borrowings from banks and financial institution and other funds raised from the capital markets from time to time.

As at 31 August 2021, we had cash and cash equivalents, term deposits and restricted bank balances of approximately RMB314.46 million, as compared with approximately RMB438.51 million as at 31 December 2020. As at 31 August 2021, our total borrowings amounted to approximately RMB1,243.21 million, as compared with approximately RMB718.78 million as at 31 December 2020. The majority of our borrowings, RMB1,239.32 million were dominated in RMB and RMB3.89 million were dominated in HKD. Our borrowing have approximately RMB239.87 million which are repayable within one year and approximately RMB1,003.34 million are repayable in more than one year. For the year ended 31 August 2021, the weighted average effective interest rate of our bank borrowings were approximately 6.92% (for year ended 31 December 2020: approximately 5.60%).

The significant increase in borrowings and the decrease in cash position were due to the acquisition and construction of schools.

Gearing Ratio

As at 31 August 2021, our gearing ratio, which is calculated as net debt divided by total equity, was approximately 112.79%, as compared with approximately 37.54% as at 31 December 2020. The increase was mainly attributable to the increase in borrowings and lease liabilities at a greater extent than the profit earned during the year.

Capital Expenditure

Our capital expenditures during the eight months ended 31 August 2021 amounted to approximately RMB137.58 million, primarily consisted of expenditures for construction in progress, office furniture and fixtures, electronic equipment and vehicles.

Property, Plant and Equipment

Property, plant and equipment as at 31 August 2021 increased to approximately RMB1,558.45 million from approximately RMB1,001.51 million as at 31 December 2020. Such increase was mainly attributable to the increase in construction in progress of teaching and research buildings, student residence halls and other facilities in our JUAS campus and consolidation of property, plant and equipment from Guizhou Institute and Yu Ren High School during eight months ended 31 August 2021.

CHARGE ON ASSETS

Except for the disclosures in notes 3, 8 and 15 of the financial information of this announcement, there was no other material charge on the Group's assets as at 31 August 2021.

CONTINGENT LIABILITIES AND GUARANTEES

Save as disclosed in this announcement, as at 31 August 2021, we did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

SIGNIFICANT INVESTMENTS HELD

Save as disclosed in this announcement, the Group did not have other significant investments held as at 31 August 2021.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed in the announcement, the Group did not have any other material acquisitions or disposals of subsidiaries and associated companies during the eight months ended 31 August 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other plans for material investments or capital assets as at 31 August 2021.

FOREIGN CURRENCY RISK

The Group primarily operates its business in the PRC. The currency in which the Group denominates and settles substantially all of its transactions is RMB. Any depreciation of RMB would adversely affect the value of any dividends the Group pay to Shareholders outside of the PRC. The Group currently does not engage in hedging activities designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange changes to best preserve the Group's cash value.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 August 2021, we had 1,738 full-time employees (as at 31 August 2020, we had 1,038 full-time employees), mostly based in Jiangxi Province.

The remuneration of our employees is based on their performance, experiences, and market comparable. In addition to salary, we also provide various incentives, including share-based compensation such as RSUs granted pursuant to the Company's RSU Scheme as well as performance-based bonuses to better motivate our employees. As required by the PRC law, we contribute to housing funds and maintain mandatory social insurance plans for our employees, covering pension, medical, unemployment, work injury and maternity leave. For the year ended 31 August 2021, our employee remuneration totaled to approximately RMB94.40 million.

We grant RSUs to our employees to incentivize them to contribute to our growth. As at 31 August 2021, RSUs in respect of 26,566,000 underlying Shares, representing approximately 2.66% of the share capital of our Company as at 31 August 2021, have been granted to 42 participants pursuant to the RSU Scheme. As of 20 November 2021, RSUs in respect of 21,252,800 underlying Shares, have been vested.

The employees of the subsidiaries of the Group established in the PRC (other than Hong Kong) participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby these subsidiaries are required to contribute to the schemes at a rate of 16% (2019: 16%) of the basic salary. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (other than Hong Kong), from the above mentioned retirement schemes at their normal retirement age.

The Group also participates in a pension scheme under the rules and regulations of Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all its qualifying employees in Hong Kong. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the MPF Scheme vest immediately.

The Group's contributions to the defined contribution schemes vest fully and immediately with the employees. Accordingly, (i) for the eight month period ended 31 August 2021 and the year ended 31 December 2020, there was no forfeiture of contributions under the defined contribution schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the defined contribution schemes as at 31 August 2021.

The remuneration of Directors and members of senior management of the Company is determined on the basis of each individual's responsibilities, qualification, position, experience, performance, seniority and time devoted to our business. They receive compensation in the form of salaries, performance-related bonus, RSUs, and other allowances and benefits-in-kind, including the Company's contribution to their pension schemes on their behalf.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Global Offering were approximately HK\$478.3 million (equivalent to approximately RMB427.9 million), after deducting the underwriting fees and commission, and related total expenses paid and payable by us in connection with the Listing. As at 31 August 2021, the Company has utilised the all net proceeds and the net proceeds have been applied in the manner as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

The following table sets forth a summary of the utilisation of the net proceeds from the Global Offering as at 31 August 2021:

Purpose	Percentage to total amount	Net proceeds allotted from the Global Offering <i>RMB (million)</i>	Actual use of proceeds up to 31 December 2020 <i>RMB (million)</i>	Unutilised amount as at 31 August 2021 <i>RMB (million)</i>
Construct, renovate and upgrade the facilities and infrastructure of the JUAS	35.0%	149.8	149.8	–
Repay certain portion of the Group’s bank loans	30.0%	128.4	128.4	–
Acquire private higher education institutions and/or private vocational schools	25.0%	106.9	106.9	–
Fund the Group’s working capital and general corporate purposes	10.0%	42.8	42.8	–
	<u>100.0%</u>	<u>427.9</u>	<u>427.9</u>	<u>–</u>

SUBSEQUENT EVENTS

Subsequent to 31 August 2021 and up to the date of this announcement, the Group had no material subsequent events which have not been reflected in the financial information.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Updates on Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of Directors and chief executives of the Company subsequent to the date of the 2020 annual report of the Company up to the date of the Board meeting held at 30 November 2021 approving this annual results announcement are set out below:

1. Mr. Zheng Junhui has resigned as an executive Director with effect from 23 February 2021.
2. Mr. Bau Siu Fung has resigned as an executive Director with effect from 3 May 2021, and he also resigned as the chief financial officer of the Company with effect from 28 May 2021 and resigned as the company secretary and authorized representative of the Company under Rule 3.05 of the Listing Rules (the “**Authorised Representative**”) with effect from 31 May 2021
3. Mr. Yang Ruichen was appointed as the chief financial officer of the Company with effect from 28 May 2021.
4. Mr. Wong Yu Kit was appointed as the company secretary and the Authorised Representative with effect from 31 May 2021.
5. Mr. Chan Hon Ki has resigned as an independent non-executive Director with effect from 30 June 2021.
6. Mr. Li Cunyi was re-designated from an executive Director to a non-executive Director with effect from 7 July 2021.
7. Mr. Wang Shenghua, Mr. Yang Ruichen and Mr. Liu Chunbin were appointed as the executive Directors with effect from 7 July 2021.
8. Mr. Sy Lai Yin, Sunny was appointed as an independent non-executive Director, a member of the remuneration committee and a member and the chairman of the audit committee of the Company with effect from 7 July 2021.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the “**2022 AGM**”) is scheduled to be held on Friday, 28 January 2022. A notice convening the 2022 AGM and the book closure of register of members, for the purpose of ascertaining Shareholders’ entitlement to attend the 2022 AGM, will be published and despatched in the manner as required by the Listing Rules in due course.

In order to ascertain Shareholder’s entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Tuesday, 25 January 2022 to Friday, 28 January 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the 2022 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 25 January 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

NON-COMPLIANCE WITH CG CODE AND LISTING RULES

For the eight months ended 31 August 2021, the Company has complied with the CG Code and Listing Rules except for the following two deviations which are explained below:

1. According to provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Huang Yulin is the chairman of the Board and the chief executive officer of the Company (the “**Chief Executive Officer**”). The Board believes that having the same individual in both roles as the Chairman and the Chief Executive Officer ensures that the Group has consistent leadership and could make and implement the overall strategy of the Group more effectively. In addition, under the current composition of the Board, namely six executive Directors, one non-executive Director and four independent non-executive Directors, we believe that the interests of shareholders of the Company are adequately and fairly represented. The Board considers that the present corporate governance arrangement does not impair the balance of power and authority within the Group.

2. As at 30 June 2021, after the resignation of Mr. Chan Hon Ki as an independent non-executive Director, the Company did not have an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise, and hence fails to meet the requirements under the Listing Rules of having:
- (a) at least one of the independent non-executive directors having appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules;
 - (b) the audit committee having at least one member who is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules and the audit committee being chaired by an independent non-executive director under Rule 3.21 of the Listing Rules; and
 - (c) the majority of the remuneration committee members being independent non-executive directors of the listed issuer under Rule 3.25 of the Listing Rules.

As at 7 July 2021, after the appointment of Mr. Sy Lai Yin, Sunny, (“**Mr. Sy**”) as an independent non-executive Director of the Company, and in view of that (i) Mr. Sy possesses appropriate professional qualifications or accounting or related financial management expertise; (ii) Mr. Sy serves as the chairman of the audit committee; and (iii) Mr. Sy serves as the member of the remuneration committee and the remuneration committee comprises a majority of independent non-executive Directors, the Company has rectified all non-compliance issues under the requirements of Rules 3.10(2), 3.21 and 3.25 of the Listing Rules.

SCOPE OF WORK OF THE COMPANY’S AUDITOR

The figures in respect of the Group’s consolidated balance sheet, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the eight months ended 31 August 2021 as set out in this Annual Results announcement have been agreed by the Company’s auditor to the amounts set out in the Group’s consolidated financial statements for the eight months ended 31 August 2021. The work performed by the Company’s auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, and Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company’s auditor on this Annual Results announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors of the Company, they have all confirmed that they have complied with the Model Code and the code of conduct of the Company regarding securities transactions by Directors throughout the eight months ended 31 August 2021.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of four independent non-executive Directors, namely Mr. Sy Lai Yin, Sunny, Mr. Chen Wanlong, Mr. Huang Juyun and Mr. Wang Donglin. Mr. Sy Lai Yin, Sunny is the chairman of the Audit Committee, who possesses suitable professional qualifications. The Audit Committee has reviewed the Annual Results with the management of the Company.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2021 ANNUAL REPORT

This Annual Results announcement was published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and on the website of the Company (www.chenlin-edu.com). The annual report of the Group for the eight months ended 31 August 2021 will be despatched to Shareholders and available on the above websites in due course.

DEFINITIONS

“Amendment Decision”	the Decision of the Standing Committee of the National People’s Congress on Amending the Law for Promoting Private Education of the PRC (全國人民代表大會常務委員會關於修改《中華人民共和國民辦教育促進法》的決定) promulgated by Order No. 55 of the President of the PRC on 7 November 2016, and became effective on 29 December 2018
“Audit Committee”	the audit committee of the Board, comprising solely the independent non-executive Directors of the Company
“Board”	the board of Directors of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, unless otherwise stated, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan of China herein
“Company” or “our Company”	Chen Lin Education Group Holdings Limited (辰林教育集團控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on 25 May 2018 and listed on the Stock Exchange on 13 December 2019 (Stock Code: 1593)
“Director(s)”	the director(s) of the Company
“double qualification teachers”	full-time teachers with title of lecturer and above in addition to professional qualification or industry experience
“Gaokao”	also known as the National Higher Education Entrance Exam, an academic examination held annually in the PRC, and a prerequisite for entrance into most higher education institutions at the undergraduate level in the PRC
“Global Offering”	the global offering of initially up to 250,000,000 ordinary shares with a nominal value of HK\$0.0001 each in the capital of the Company, including, a public offering in Hong Kong of 31,798,000 Shares and an international offering of initially 218,202,000 Shares to professional, institutional and other investors outside the United States

“Group”, “we” or “us”	the Company and all of its subsidiaries and companies whose financial results have been consolidated and accounted as the subsidiaries of our Company by virtue of the contractual arrangements entered into on 15 September 2018, or, where the context so requires, in respect of the period before our Company became the holding company of our current subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
“Guizhou Institute”	Guizhou Institute of Industry and Trade (貴州工貿職業學院), a full time locational college locates in Guizhou Province, PRC, specialize in training junior and senior technician
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRSs”	the International Financial Reporting Standards
“Implementation Regulations”	the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) issued by the PRC State Council on 14 May 2021
“Independent Third Party”	an individual(s) or company(ies) who or which is/are to the best of our Director’s knowledge, information and belief, having made all reasonable enquiries, is/are not our connected persons as defined under the Listing Rules
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	the date on which the Shares initially commenced their dealings on the Stock Exchange (i.e. 13 December 2019)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Model Code”	the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules
“MOE”	the Ministry of Education of the PRC (中華人民共和國教育部)

“Nanchang Di Guan”	Nanchang Di Guan Education Consultancy Co., Ltd. (南昌迪冠教育諮詢有限公司), a company established under the laws of the PRC with limited liability on 17 September 2009 and accounted as a subsidiary of the Company by virtue of the Contractual Arrangements
“Prospectus”	the prospectus issued by the Company dated 27 November 2019
“Reporting Period”	the year ended 31 August 2021
“RMB”	Renminbi, the lawful currency of the PRC
“RSU(s)”	restricted share units granted pursuant to the RSU Scheme
“RSU Scheme”	the restricted share unit scheme adopted by our Company on 20 August 2019
“Senior Management”	the senior management of the Company
“Share(s)”	ordinary share(s) of HK\$0.0001 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board
Chen Lin Education Group Holdings Limited
Huang Yulin
Chairman

Nanchang, the PRC, 30 November 2021

As of the date of this announcement, the executive Directors are Mr. Huang Yulin, Mr. Yang Ruichen, Mr. Liu Chunbin, Mr. Wang Li, Ms. Gan Tian and Mr. Wang Shenghua; the non-executive Director is Mr. Li Cunyi and the independent non-executive Directors are Mr. Sy Lai Yin, Sunny, Mr. Chen Wanlong, Mr. Huang Juyun and Mr. Wang Donglin.