China General Education Group Limited
中国通才教育集团有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2175

Annual Report
2021

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Niu Sanping
Mr. Niu Jian
Mr. Niu Xiaojun
Ms. Zhang Zhonghua

Independent Non-executive Directors

Mr. Zan Zhihong
Mr. Hu Yuting
Mr. Yau Wai Man Philip

AUDIT COMMITTEE

Mr. Yau Wai Man Philip *(Chairman)*
Mr. Zan Zhihong
Mr. Hu Yuting

REMUNERATION COMMITTEE

Mr. Hu Yuting *(Chairman)*
Mr. Yau Wai Man Philip
Mr. Niu Jian

NOMINATION COMMITTEE

Mr. Niu Sanping *(Chairman)*
Mr. Zan Zhihong
Mr. Hu Yuting

COMPANY SECRETARY

Mr. Zhang Senquan

HONG KONG LEGAL ADVISOR

Morgan, Lewis & Bockius

AUTHORISED REPRESENTATIVES

Mr. Niu Jian
Mr. Zhang Senquan

PLACE OF LISTING AND STOCK CODE

The Stock Exchange of Hong Kong Limited
Stock Code: 2175

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

No. 99 Wucheng South Road
Xiaodian District
Taiyuan City
Shanxi Province
the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 920, 9th Floor,
Chevalier Commercial
Center, 8 Wang Hoi Road,
Kowloon Bay, Kowloon,
Hong Kong

REGISTERED OFFICE

3-212 Governors Square
23 Lime Tree Bay Avenue
P.O. Box 30746
Seven Mile Beach
Grand Cayman KY1-1203
Cayman Islands

COMPANY'S WEBSITE

http://chinageg.cn

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

ICS Corporate Services (Cayman) Limited
3-212 Governors Square
23 Lime Tree Bay Avenue
P.O. Box 30746
Seven Mile Beach
Grand Cayman KY1-1203
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

Shanghai Pudong Development Bank
(Taiyuan City, High-tech Industrial
Development Zone Branch)

Financial Highlights and Summary

FINANCIAL RESULTS

	Year ended 31 August			
	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**289,262**	271,083	266,273	267,361
Gross Profit	**171,927**	163,936	157,799	171,052
Profit for the year attributable to the owners of the Company	**129,759**	142,761	137,594	144,754

ASSETS AND LIABILITIES

	At 31 August			
	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	**1,090,196**	420,532	489,178	414,347
Current liabilities	**311,260**	103,056	329,183	326,582
Net current assets	**778,936**	317,476	159,995	87,765
Total non-current assets	**795,185**	751,725	755,971	690,623
Total equity	**1,574,121**	1,069,201	915,966	778,388

FINANCIAL RATIOS

		At 31 August			
	Notes	**2021**	2020	2019	2018
Gross profit margin		**59.4%**	60.5%	59.3%	64.0%
Net profit margin		**44.9%**	52.7%	51.7%	54.1%
Return on assets	1	**6.9%**	12.2%	11.0%	13.1%
Return on equity	2	**8.2%**	13.3%	15.0%	18.6%
Current ratio	3	**350.3%**	408.1%	148.6%	126.9%

Notes:

1. Return on assets equals net profit for the year divided by total assets as of the end of the year.
2. Return on equity equals net profit for the year divided by total equity amounts as of the end of the year.
3. Current ratio equals current assets divided by current liabilities as of the end of the year.

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors, I am pleased to present the annual results of the Group from 1 September 2020 to 31 August 2021 to all shareholders of the Company (the "**Shareholders**").

After thousands of days and nights of unremitting efforts and continuous struggle, coinciding with the 35th anniversary of Shanxi Technology and Business College, the Group was successfully listed on the Main Board of the Stock Exchange on 16 July 2021, which made it become the first listed Shanxi-based higher education enterprise in the Hong Kong stock market in 2021, and laid an important milestone for the development of the Group. Meanwhile, the school size of our College was also stably expanded.

For the year ended 31 August 2021 (the "**Year**"),

- There were 17,233 students enrolled in total in our College, representing a year-on-year increase of 3.7%.
- The average tuition fee of our College was RMB15,333.9, representing a year-on-year decrease of 0.2%.
- Our revenue increased year-on-year by 6.7% or approximately RMB18.2 million.
- Our gross profit increased year-on-year by 4.9% or approximately RMB8.0 million.
- Our net profit decreased year-on-year by 9.0% or approximately RMB12.9 million due to the increase in employee remuneration and payment of listing expense.

During the year, the Group has undergone comprehensive development and its position in the industry has been steadily improved. It was awarded the accolades such as the 2020 Advanced Unit for "Adherence to Missions & Attentiveness to Duties" by Shanxi Province Association for Private Education and the "Advanced Unit for Innovative Enterprise" by Shanxi Society of Professors. The educational quality and management capabilities of our College have received increasing recognition and affirmation from all walks of life.

First, we continued to improve our education and teaching systems. In adherence to the concept of "management + professionalism" in the whole-process education and teaching, we highlighted the "Big Business" schooling characteristics and devoted ourselves to nurturing high-quality versatile talents who possess professional knowledge and management competence. Based on the national standards for undergraduate professional education, we set up five major business platform courses including economics, statistics, finance, management and economic law, laying a solid foundation for the implementation of liberal education and professional streaming as well as the realization of "Big Business" talent nurturing. Sticking to our local and application-based orientation, we actively focus on the national development strategies and Shanxi's socioeconomic development needs, align with the local economic and industrial structure layout, and constantly optimize the structure of our academic disciplines. During the reporting period, 5 bachelor's degree program majors, including nursing, sports rehabilitation, cuisine and nutrition education, art design for drama, film and television as well as cross-border e-commerce, were approved for enrollment in the 2021-2022 school year. As of now, the total number of undergraduate majors and concentrations in our College has reached 47, covering 8 major disciplines, namely management, economics, engineering, arts, literature, education, law and science as well as the "five major professional groups", namely economic management, information technology, healthcare services, cultural media and tourism and performing arts. Significant results have been achieved in the optimization and adjustment of academic disciplines.

We believe that only by keeping a keen and forward-looking view on the market development trend can we better set up majors that are beneficial to students' employment prospects. The Group will regard such approval of new majors as an important opportunity to further integrate and optimize its teaching resources, strengthen the connotation construction of new majors, and continuously improve the quality of academic disciplines construction and the standard of talent nurturing.

Second, we explored deeply the integration of industry and teaching. In December 2020, our College undertook and completed the preparation of the "14th Five-Year Plan for Shanxi Province's E-Commerce". Establishing industrial colleges is a significant step for the Group in the establishment of an education system that integrates industry and teaching. During the reporting period, we have further promoted the establishment of industrial colleges with local enterprises and institutions. We co-founded the Huayou Industrial College with 5 excellent government-owned kindergartens in the province, including Shanxi Province Government Agency Kindergarten, and jointly designed professional courses, promoted educational reforms, innovated practical education, and cultivated high quality talents for early childhood education. We also established the Industrial College of Smart Finance with Yonyou Seentao Technology Co., Ltd., and jointly cultivated versatile financial talents with business knowledge and proficiency in finance but are in short supply in the industry. An approval was obtained from the Education Department of Shanxi Province for the establishment of the Industrial College of Cross Border E-Commerce which is a quality and efficiency enhancement project under the "1331 Project" in Shanxi Province. We have also passed the review of the experts from the Ministry of Industry and Information Technology in relation to the Employment, Entrepreneurship and Innovative Practice Demonstration Base Project, and become the only undergraduate college that offers program majoring in cross border e-commerce and owns the Industrial College of Cross Border E-Commerce. By establishing industrial colleges, we have constructed a new mode of practical education of "Real Projects, Integration of Learning and Practice, Diversified Training", to cultivate applicable, versatile and innovative talents to satisfy the development needs of the industry.

Third, we actively undertake social responsibilities. Our Group has actively accomplished social responsibilities and enhanced our ability to deliver sustainable growth as we expand. The efforts of our Group and our management team have received a number of acknowledgements from the government and different sectors of society. At the third session of Member Representatives Meeting of the Chinese Association for Non-government Education convened in November 2020, I was elected as a standing director of the Third Session of the Council of the Chinese Association for Non-government Education, and also the only standing director from Shanxi's private colleges and universities; in the same month, I was elected as vice director of the First Session of Council of Professional Committee for Non-government Education of the Chinese Society of Educational Development Strategy; and received honours of "Outstanding Individual in Poverty Alleviation in Shanxi Province" and "Outstanding Individual in Poverty Alleviation in the Chinese Peasants' and Workers' Democratic Party" in May and June 2021, respectively.

The future is vast and magnificent. The road to quality development in a new era is setting sail. Looking forward, the Group will continue its endeavours to boost organic growth and seek external mergers and acquisitions, emphasize both the academic education and vocational education, seize the historic opportunities in the all-round and high-quality development of Shanxi Province and achieve new breakthroughs in the process of establishment of a leading private university in China. In particular, the development strategies of our Group are:

Chairman's Statement

The first is to adhere to the mission of "work conscientiously to cultivate qualified talent for society (兢兢業業為社會培養合格人才)", in order to be better oriented towards the regional economic and social development, by optimizing our own business, cooperating with local enterprises, and fully tapping various resources from all sectors. We will also deepen the integration of industry and education so as to continuously improve the quality and level of talent cultivation for the local and regional development.

The second is to review tuition fees, optimize the pricing and increase student enrollment on an ongoing basis to enhance profitability. We will also improve the operating conditions as well as enhance qualifications of teachers and training capacity, aiming to build our College into a private high-level application-oriented university.

The third is to consolidate our competitive advantages and continue to expand diversified curriculums. We will focus on the development of application-oriented generalist education. Seizing the good opportunities of the publications of "Implementation Rules for the Law for Promoting Private Education (《民辦教育促進法實施條例》)" and "Opinions on Promoting the High-quality Development of Modern Vocational Education (《關於推動現代職業教育高質量發展的意見》)", we will vigorously explore the development of vocational education.

The fourth is to stick to the principle of "Quality over Quantity" for the mergers and acquisition projects. We will proactively seek suitable opportunities to acquire or invest in other schools, increase market shares through the expansion of business networks, and prioritize the suitable target schools in North China and Northeast China.

The Group's achievements owe a great deal to the support of the shareholders. On behalf of the Group, I would like to take this opportunity to express my gratitude to all of you. China General Education Group will continue to stick to the belief of quality education in its management and operation in the future, take pride in our employees, deepen the private education industry and build an outstanding private higher education group in China so as to create stable returns for the Shareholders.

Thank you!

Niu Sanping
Chairman and Executive Director

29 November 2021

Management Discussion and Analysis

BUSINESS REVIEW

Business Overview

We are a leading provider of private higher education in Shanxi Province, the PRC. We operated a college, Shanxi Technology and Business College ("**our College**"), in Taiyuan City, Shanxi Province, the PRC. According to a market research report by the Frost & Sullivan (the "**Frost & Sullivan Report**") before the Company's listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), we ranked first among all private higher education institutions in Shanxi Province in terms of total full-time student enrollment, with a market share of 15.6% for the 2020/2021 school year. In 2011, our College was approved and upgraded by the Ministry of Education of the PRC to become the first private undergraduate college in Shanxi Province. Our solid reputation and extensive expertise in the private higher education sector have allowed us to continue to grow our College since then. The total number of students enrolled at our College has grown from approximately 8,000 students in the 2011/2012 school year to 17,233 students in the 2020/2021 school year. All students enrolled in our College were full-time students and most of our students enrolled were boarding students except for very few students who were approved by us to live off campus for personal reasons. As of 31 August 2021, we employed 543 full-time teachers and 508 part-time teachers.

As of 31 August 2021, our College offered bachelor's degree programs in a total of 36 majors (i.e. the specific area of study for which a student chooses to focus on, such as accounting, business administration, computer science and technology and preschool education) and three concentrations (which are specific study areas of emphasis within certain majors, including an internet technology concentration under major of computer science and technology, a child massage healthcare concentration and an early education concentration under the major of preschool education) to undergraduate students through our 12 schools. As of 31 August 2021, our College operated two campuses, namely, Longcheng campus and Beige campus, with a total area of approximately 481,504 sq. m. and building space of approximately 377,556 sq. m.

As a higher education service provider, we are dedicated to (i) building our College into a modern institution of higher education with superior quality, and (ii) equipping our students with readily applicable skills that meet the ever-changing demands of the job market.

We focus on providing application-oriented education to equip our students with practical skills relevant to careers. We continue to optimize our course offerings and practical training programs to provide our students with the readily applicable skills. We offer mandatory and elective courses in entrepreneurship and innovation-related subjects, and provide a variety of opportunities for students to hone their business skills. We reinforce our application-oriented course offerings with meaningful collaboration with companies in private industry ranging from joint development and delivery of entire courses and construction of simulated work-environment training bases on our campuses, to inviting industry experts and visiting lecturers and helping arrange internship and practical training opportunities for our students. We believe our emphasis on developing advanced, career-focused skill sets helps make our students more appealing to potential employers. The initial employment rate for graduates of our College reached approximately 90.3% and 72.5% for the 2020/2021 and 2019/2020 school years, respectively. The initial employment rate for graduates for the 2019/2020 school year was lower than that for the previous years, which was mainly due to the impact of the COVID-19 pandemic.

COVID-19 Pandemic and Effects on Our Business

(a) Impact of COVID-19 Pandemic on Our Operation

The outbreak of COVID-19 pandemic began in China in December 2019 and peaked in China in February 2020, thus limiting the Group's ability to provide education services, and our College postponed the opening of both school campuses for the spring semester of the 2019/2020 school year.

In addition, the reduced transportation services and disruptions in construction and logistic networks due to COVID-19 pandemic have posed negative impacts on the capabilities of the suppliers under the Phase IV construction project of our Beige campus, as well as the possibilities of potential acquisition by the Group.

As the COVID-19 pandemic began to subside from the beginning of March 2020 in China, we have deployed internal resources and realized our teaching and operating capabilities to accelerate the progress of the temporarily postponed courses and reduce the impact on our education services.

As of 1 September 2020, most of the cities in China have eased or cancelled domestic travel restrictions and resumed work and production. We have resumed normal operations of our College according to the local government's guidelines.

(b) Relief Measures

We undertook several relief measures to minimize the adverse effects of COVID-19 pandemic on our business operation.

In order to minimize disruption to the school year as much as possible, we started teaching classes and offering other learning activities via online platforms beginning in March 2020 while the students and faculty of our College were unable to return to school.

Pursuant to the Guiding Opinions on the Organization and Management of Online Teaching in Colleges and Universities in Shanxi Province During the Period of Epidemic Prevention and Control (《關於在疫情防控期間做好全省高等學校在線教學組織與管理工作的指導意見》) issued by the Department of Education of Shanxi Province, teachers at our College attended relevant technology training through various online platforms and we selected a number of suitable platforms including WeChat, QQ, DingTalk, Tencent Classroom and Tencent Meeting, among others, on which to conduct teaching. Using such online tools, teachers were able to conduct their courses, either via live streaming or recorded lectures. These online platforms allow students to take classes online, interact with our teachers, have group discussion and participate in class quiz sessions. Our teachers prepared and adjusted their teaching materials and course designs to take into account the different features of online teaching as compared to traditional in-class teaching.

In addition, we also utilized other online courses and resources, some of which we had previously purchased, as a supplement to our online teaching. Teachers were able to select from among a number of existing third-party online courses to supplement their own lectures. For example, our College entered into an agreement with a third-party education technology company, enabling our students to access approximately 380 online courses (mainly elective courses) provided by such company which students were able to take on a voluntary basis and gain credits towards their degree after successfully fulfilling the online study requirements. Those courses are generally taught by teachers from other universities or colleges nationwide and could bring in different perspectives and novel learning methods for our students. Students were also able to access other electronic resources online provided by such company, such as electronic books, journals, archived documents and videos.

As advised by our PRC legal advisors, delivery of courses developed by us on these third-party online platforms, which were operated and managed by independent third parties, and the use of the education resources available thereon by our students and faculty do not involve any activities in relation to the provision of basic or value-added telecommunication services and therefore, do not require a telecommunication business license on our part.

(c) Financial Impact of the COVID-19 Pandemic

As students were unable to board at our College for much of the second semester of the 2019/2020 school year due to the COVID-19 pandemic, we refunded approximately RMB5.4 million in boarding fees to our students. There was no significant financial impact by the COVID-19 pandemic for the 2020/2021 school year.

Despite the unprecedented challenges posed by the COVID-19 pandemic, the Group's revenue during the Year amounted to approximately RMB289.3 million (2020: RMB271.1 million), representing an increase of approximately RMB18.2 million or 6.7%. In addition, the Group recorded a profit during the Year of approximately RMB129.8 million (2020: RMB142.7 million), representing a decrease of approximately RMB12.9 million or approximately 9.0% as compared with the corresponding period last year, which was mainly due to the fact that we incurred some listing expenses of approximately RMB20.1 million (2020: RMB3.9 million). Adding back the listing expenses, the Group would record a profit during the Year of approximately RMB149.9 million (2020: RMB146.6 million), representing an increase of approximately RMB3.3 million or approximately 2.3%. These conditions indicate that the major businesses of the Group are operating well and the results are showing an upward trend.

We attribute this to the combined effect of the above relief measures, the unremitting efforts of our dedicated staff and the effectiveness of our comprehensive business continuity plans.

(d) Liquidity Positions and Working Capital Sufficiency

As of 31 August 2021, cash and cash equivalents of the Group amounted to approximately RMB594.7 million, representing a year-on-year increase of approximately 567.5% as compared with approximately RMB89.1 million for the corresponding period last year.

We believe that our liquidity requirements will be satisfied with a combination of existing cash and cash equivalents, cash flows generated from our operating activities, the net proceeds from the issue of new shares of our Company and other funds raised from the capital markets from time to time.

Tuition Fees Standards

The following table sets forth the average tuition fee for our College for the periods indicated:

	Year ended 31 August			Percentage
	2021	2020	**Change**	**change**
	RMB	RMB	RMB	(%)
Average Tuition Fee	**15,333.9**	15,357.2	(23.3)	(0.2)

The following table sets forth the number of our students who participated in the undergraduate and junior colleges programs offered by our College for 2020/2021 school year and 2019/2020 school year.

	School Year[1]	
	2020/2021	2019/2020
Undergraduate program[2]	**17,233**	16,337
Junior college program[3]	**–**	279
Total	**17,233**	16,616

Notes:

(1) The student enrollment information for the school years indicated was based on the internal records of our College. Although our school year typically starts at the beginning of September, the administrative work that facilitates the registration of students' academic files, the collection of tuition and boarding fees and other admission-related activities are generally completed by the end of September. Accordingly, we use 30 September as a benchmark point in time to determine and present our enrollment figures and certain other business operating data, and the student enrollment figures listed here for the 2019/2020 school year are the number of students as of 30 September of such school year. For the 2020/2021 school year, due to the impact of COVID-19 pandemic, the beginning of the semester was delayed until 12 October 2020 for new students. For purposes of providing a fair comparable figure, we use the number of students as of 31 October 2020 to present student enrollment figures for the 2020/2021 school year. 5,500 students applied for the undergraduate enrollment plan in 2021, representing an increase of 500 students as compared to 2020.

(2) The number of students includes the number of (i) students who were admitted to four-year undergraduate programs by taking the National Higher Education Entrance Examination, (ii) students who were admitted after graduating from junior colleges and continue their study at our College as third-year undergraduate students, and (iii) students who were admitted after graduating from secondary vocational schools.

(3) Starting in the 2018/2019 school year, we began to phase out our three-year junior college program and shifted our focus entirely to our undergraduate program and stopped adding new student classes for our junior college program. Starting in the 2020/2021 school year, we did not have any students enrolled in our junior college program.

FUTURE OUTLOOK AND BUSINESS STRATEGIES

In terms of total full-time student enrollment, according to the Frost & Sullivan Report, the Group ranks the first among all private higher education institutions in Shanxi Province with a market share of approximately 15.6% for the 2020/2021 school year, which puts us in a favorable position.

Shanxi Province is one of the economically underdeveloped provinces in China where higher education resources in the province are relatively scarce. It is however growing at a rapid rate. The private higher education industry in Shanxi Province is also growing rapidly. In addition to increasing student enrollment, thanks to the increase in disposable income and regulation allowing for market pricing of non-profit private higher education, the continuing growth of tuition and miscellaneous fees have contributed to the steady growth of total revenue of private higher education providers in Shanxi Province. In 2020, two independent colleges in Shanxi Province were transformed to become public higher education institutions, resulting in a decline in the total revenue of private higher education providers for the year. In addition, according to the "Report of Department of Education of Shanxi Province on the Transfer of Independent Colleges" (《山西省教育廳關於全省獨立學院轉設的報告》), another independent college is expected to be transformed to become a public higher education institution in 2021. After an adjustment period to such transformation of independent colleges, the total revenue of private higher education providers in Shanxi Province is expected to maintain steady growth. We believe that the Group can benefit from the increasing demand for private higher education.

We intend to continue to expand our business and school network. To achieve our goals, we plan to pursue the following business strategies: (i) increase our College's capacity and student body and improve the teaching and living environment by building new facilities; (ii) expand our operations through acquisition; (iii) further improve and diversify our curriculum offerings and course design and continue to provide practical training to our students; (iv) expand the scope of our educational service offerings to capture additional growth opportunities; and (v) continue to build and improve our highly qualified teaching team.

With a view to creating synergies with our College in China and complying with the Qualification Requirement as further described in the section headed "Contractual Arrangements" in the prospectus of the Company dated 30 June 2021 (the "**Prospectus**"), we also plan to expand our network abroad by establishing a degree-granting higher education institution in the State of California in the United States (the "**US School**") offering bachelor of science in business administration program and bachelor of science in marketing program. We have engaged an agent, who is principally engaged in education consultancy and California Bureau for Private Postsecondary Education (the "**BPPE**") licensing services, to assist us in establishing General Business University of California Incorporated, the operating entity for the US School, and filing applications with the BPPE regarding the establishment of the US School in June 2021.

LATEST REGULATORY DEVELOPMENTS

Pursuant to the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改〈中華人民共和國民辦教育促進法〉的決定》) (the "**2016 Decision**"), which became effective on 1 September 2017, private schools will no longer be classified as either schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns. Instead, the school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that the schools providing compulsory education must be non-profit. The school sponsors of for-profit private schools are allowed to receive income from the operation of the school and the balance of running such schools. By contrast, the school sponsors of non-profit private schools are prohibited from receiving income from the operation of the school and the balance of running such schools shall be only used for the operation of the schools. In addition, for-profit private schools are entitled to have discretion in determining the fees collected from the students in accordance with the market conditions while the fee collection of non-profit private schools shall be subject to provincial government regulation. For details of the 2016 Decision, including the key differences between a for-profit private school and a non-profit private school under the 2016 Decision, please see "Regulatory Overview – Regulations on Private Education in the PRC – The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education" of the Prospectus.

On 11 July 2018, the General Office of the People's Government of Shanxi Province promulgated Several Opinions of the General Office of People's Government of Shanxi Province on Supporting and Regulating the Development of Education by Social Forces and Promoting the Healthy and Orderly Development of Private Education (《山西省人民政府辦公廳關於支援和規範社會力量與興辦教育促進民辦教育健康有序發展的若干意見》), according to which, school sponsors can freely elect to establish for-profit schools or non-profit schools with the exception that private schools providing compulsory education must be non-profit. Sponsors of non-profit private schools do not obtain school operating income, and operating balances are all used for running schools; for-profit private schools sponsors can obtain school operating income, and distribution of the school balances are based on relevant state regulations. Private schools which provided education services other than compulsory education and were approved for establishment before 7 November 2016 can freely elect to establish for-profit schools or non-profit schools, the re-registration shall be completed within five years from July 2018 which was confirmed in our interview with the Department of Education of Shanxi Province.

On 30 December 2019, the Department of Education of Shanxi Province, the Department of Human Resources and Social Security of Shanxi Province, the Department of Civil Affairs of Shanxi Province, the Office of the Organization Committee of Shanxi Province and the Administration for Market Regulation of Shanxi Province jointly issued the Implementation Measures of Classified Registration of Private Schools in Shanxi Province (《山西省民辦學校分類登記實施辦法》) (the "**Shanxi Measures**"), which includes the requirements and procedures of approval for establishment, classified registration, change of registered events, termination and cancelation of registration, classified registration of existing private schools. For an existing private school, if it chooses to register as a non-profit private school, it shall amend its articles of association in accordance with the relevant laws, continue its school operation, and complete the new registration formalities; if it chooses to register as for-profit private school, it shall make financial settlement, clarify the ownership of the schools' land, buildings and accumulations and pay the relevant taxes and fees, the capital contribution of the sponsor before the liquidation shall be the paid-in capital, the asset appreciation, school accumulation, creditor or debtor's rights and obligations shall be borne by the private school after the re-registration unless otherwise specified, the private school shall also apply for registering as a for-profit private school and obtain the Permit for operating a Private School, and then register with the local branch of the State Administration for Market Regulation.

On 30 December 2019, the Department of Education of Shanxi Province, the Department of Human Resources and Social Security of Shanxi Province and the Administration for Market Regulation of Shanxi Province jointly issued the Implementation Measures on the Supervision and Administration of For-Profit Private Schools of Shanxi Province（《山西省營利性民辦學校監督管理實施辦法》）, which resembles the rules at the national level to a large extent.

According to the Notice on Further Standardizing the Collection of Education Fees of Non-Profit Private Schools（《關於進一步規範非營利性民辦學校學歷教育收費的通知》）, which was jointly promulgated by the Development and Reform Commission of Shanxi Province, the Department of Human Resources and Social Security of Shanxi Province and the Administration for Market Regulation of Shanxi Province on 29 October 2019, the education fees collected by non-profit private schools include tuition fees and boarding fees, and non-profit private schools can refer to the relevant regulations of public schools at the same level to provide students with optional service charge items and substitute charge items on the premise of students' willingness. For tuition fees and boarding fees, if they are included in the Shanxi Provincial Price Catalog, the fees are decided by the government, if not, the non-profit private schools can decide independently. Pursuant to the Implementation Measures on the Supervision and Administration of For-Profit Private Schools of Shanxi Province, the items and standards charged by for-profit private schools are determined independently by the school based on factors such as school cost and market demand and shall disclose to the public.

As of 31 August 2021, we had not made a formal application to register our College as a for-profit private school. Under the existing regulatory environment and based on the interpretation of the 2016 Decision and the existing ownership structure of our College, we currently expect to register our College as a for-profit private school. In the event that our College successfully registers as a for-profit private school, the potential impact of the 2016 Decision includes the following:

- The rights and interests of the sponsors of our College will be protected in more definitive and favorable ways: the 2016 Decision provides that the school sponsors of for-profit private schools can obtain the schools' operating profits, and the remaining assets upon liquidation after the settlement of the school's indebtedness in accordance with the PRC Company Law and other relevant laws and administrative regulations, and the standards and types of the fees should be publicized to the public and subject to supervision by relevant competent authorities;

- Our College shall have the discretion to determine the amount of fees to be charged in accordance with the 2016 Decision. If our College is registered as a for-profit private school, our College would be entitled to make its own decisions about the standards and types of the fees to be charged by our College based on our College's operating costs and market demand;

- Our College may enjoy support from certain PRC government policies: the 2016 Decision stipulates that the governments at or above the county level in the PRC can provide various policy support to for-profit schools, such as preferential tax policies and student loans;

- There may be increased uncertainty about the extent of the benefits to be provided by the government supporting measures: according to the 2016 Decision, while land will be supplied to non-profit private schools by the government through allocation or other means, for-profit private schools are not expected to enjoy the same treatment as public schools and non-profit private schools; and

- Our College will be subject to the requirements of applying for re-registration: the 2016 Decision also requires that private schools choosing to register as for-profit schools shall carry out financial settlement procedures, clarify property ownership, pay the relevant taxes and fees, and re-apply for registration.

According to our consultation with the Department of Education of Shanxi Province which is the competent authority to confirm such matters as advised by our PRC legal advisors, (i) before we elect for our College to be a for-profit private school, the current articles of association of our College will continue to be legal, effective and enforceable, and our College can operate in accordance with it; and (ii) non-profit schools are expected to enjoy more favorable policies. As advised by our PRC legal advisors, despite the aforesaid implementing rules relating to 2016 Decision, there remain uncertainties in the interpretation and implementation of the 2016 Decision with respect to various aspects of the operations of a for-profit school and whether such implementation regulations would have any material adverse impact on our business. In particular, (i) specific procedures regarding the conversion of an existing private school into a for-profit school have not yet been promulgated by local authorities in Shanxi Province; and (ii) specific conditions or requirements in respect of any preferential tax treatment and the treatment of the land use rights which for-profit schools may enjoy have not been promulgated by relevant authorities. In addition, there are uncertainties regarding the interpretation and enforcement of the 2016 Decision and relevant regulations by government authorities.

On 26 March 2021, with the assistance of our PRC legal advisors, we verbally consulted with a top-level consultant (一級調研員) at the Vocational Education and Adult Education Division of Department of Education of Shanxi Province (山西省教育廳), being a competent person at the competent authority to confirm such matters as advised by our PRC legal advisors: (i) although the Implementing Measures on Classification Registration of Private Schools (《民辦學校分類登記實施細則》) and the Shanxi Measures have been promulgated and set out the general requirements for the registration of existing private schools as for-profit or non-profit, specific provisions enacted in accordance with such regulations regarding the selection of for-profit or non-profit school, such as the details of the application procedures and documents to be prepared for the registration as for-profit schools, have not yet been promulgated in Shanxi Province; and (ii) the Department of Education of Shanxi Province has not yet begun to accept relevant applications from existing schools. For the general requirements for the registration of existing private schools as for-profit or non-profit, see "Regulatory Overview – Regulations on Private Education in the PRC – Implementing Measures on Classification Registration of Private Schools" in the Prospectus for details.

Our Directors understand that the specific provisions have not yet been promulgated and there currently is no timeline for implementation. However, taking into account that (i) our College was legally established in 2006 and is validly existing under the current PRC laws; and (ii) according to the Frost & Sullivan Report, our Group was the largest private high education institution in terms of full-time student enrollment in Shanxi Province with a market share of approximately 15.6% in the 2020/2021 school year, our Directors consider that our College's situation will be a factor to be taken into account when the local government formalizes such specific provisions and it would be unlikely that they would impose any special provisions which our College would not be able to achieve. Based on the foregoing, our Board considers that we currently expect to register our College as a for-profit private school.

FINANCIAL REVIEW

Revenue

The Group derives revenue from tuition fees and boarding fees that our College collected from students.

The Group's revenue during the Year amounted to approximately RMB289.3 million (2020: RMB271.1 million), representing an increase of approximately RMB18.2 million or approximately 6.7%. Such increase was primarily due to the fact that: (i) tuition fees during the Year amounted to approximately RMB264.3 million (2020: RMB255.2 million), representing an increase of approximately RMB9.1 million or approximately 3.6% because of more students admitted for the 2020/2021 school year; and (ii) boarding fees during the Year amounted to approximately RMB25.0 million (2020: RMB15.9 million), representing an increase of approximately RMB9.1 million or approximately 57.2% because of more students admitted for the 2020/2021 school year and the refund of part of boarding fees to students for the 2019/2020 school year in relation to COVID-19 pandemic.

Cost of sales

The Group's cost of sales primarily consists of salary costs (including basic salaries, social security contributions, bonuses and benefits for our teaching staff), depreciation and amortization, utilities expenses, maintenance costs, teaching expenses (including educational supplies, training expenses, research and development costs), student activity costs, office allowances, and others (including traveling and accommodation expenses for teaching staff).

The Group's cost of sales during the Year amounted to approximately RMB117.3 million (2020: RMB107.1 million), representing an increase of approximately RMB10.2 million or approximately 9.5%. The increase in cost of sales was primarily due to (i) the improvement in remuneration and benefit package for employees; (ii) the increase in utilities charges; and (iii) the increase in teaching expenditures so as to provide better teaching services to our students.

Gross Profit and Gross Profit Margin

The Group's gross profit represents our revenue less cost of sales. The Group's gross profit margin represents the Group's gross profit as a percentage of our revenue.

The Group's gross profit during the Year amounted to RMB171.9 million (2020: RMB163.9 million), representing an increase of approximately RMB8.0 million or approximately 4.9%. The Group's gross profit margin during the Year was approximately 59.4%, representing a decrease of approximately 1.1% as compared with the gross profit margin of 60.5% last year. Such decrease was mainly due to the increase in the cost of sales more than the increase in revenue during the Year.

Other Income and Gains

The Group's other income and gains consist of bank interest income, interest income from financial products, examination and training income, fair value gains on financial assets at fair value through profit or loss and others.

The Group's other income and gains during the Year amounted to approximately RMB20.2 million (2020: RMB19.0 million), which remained relatively stable as compared with the corresponding period last year.

Selling Expenses

The Group's selling expenses primarily consist of expenses incurred for relevant publicity of our College, including the cost of promotional brochures and advertising expenses.

During the Year and for the corresponding period last year, the Group's selling expenses both amounted to approximately RMB0.3 million.

Administrative Expenses

The Group's administrative expenses primarily consist of salary expenses for administrative staff, logistic expenses (including the property management fees charged by an independent third party for providing property management, cleaning, greenery maintenance and garbage disposal services), listing expenses, depreciation of land for administrative purposes and amortization of equipment and software for school administration and management use, office expenses (including travel and transportation expenses incurred by our administrative staff for business trips), maintenance costs, tax and utilities expenses.

The Group's administrative expenses during the Year amounted to approximately RMB61.5 million (2020: RMB39.8 million), representing an increase of approximately RMB21.7 million or approximately 54.5%. The listing expenses during the Year amounted to approximately RMB20.1 million (2020: RMB3.9 million). Disregarding the effect of listing expenses, which is a nonrecurring item, the administrative expenses during the Year would amount to approximately RMB41.4 million (2020: RMB35.9 million), representing an increase of approximately RMB5.5 million or approximately 15.3%, which was mainly due to the increase in administrative expenses upon listing and auditor's expenses.

Income Tax

During the Year and for the corresponding period last year, we did not incur any income tax expense for our operations.

Profit for the Year

As a result of the combined effects of the above revenue, costs and expenses, the Group recorded a profit during the Year of approximately RMB129.8 million (2020: RMB142.7 million), representing a decrease of approximately RMB12.9 million or approximately 9.0% as compared with the corresponding period last year.

Adjusted Net Profit

To supplement our consolidated statements of profit or loss and other comprehensive income which are presented in accordance with International Financial Reporting Standards ("**IFRS**"), we also use adjusted net profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our operating performance. We also believe that such measure provides useful information to investors in understanding and evaluating our results of operations and in comparing financial results across accounting periods and to those of our peer companies.

Adjusted net profit eliminates the effect of listing expenses, which is a nonrecurring item. The term of adjusted net profit is not defined under IFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net profit for the year. We compensate for these limitations by reconciling this financial measure to the nearest IFRS performance measure, which should be considered when evaluating our performance.

Disregarding the effect of listing expenses of approximately RMB20.1 million (2020: approximately RMB3.9 million), the adjusted net profit of the Group during the Year amounted to approximately RMB149.9 million (2020: RMB146.6 million), representing an increase of approximately 2.3%.

Current Assets and Current Liabilities

As of 31 August 2021, the net current assets of the Group amounted to approximately RMB778.9 million (2020: RMB317.5 million), representing an increase of approximately RMB461.4 million. Such increase was primarily due to the fact that (i) as of 31 August 2021, financial assets at fair value through profit or loss amounted to approximately RMB473.2 million (2020: RMB311.7 million), representing an increase of approximately RMB161.5 million, which was because the Group utilized idle funds to purchase some wealth management and fund products to increase the yield of funds; and (ii) as of 31 August 2021, cash and cash equivalents amounted to approximately RMB594.7 million (2020: RMB89.1 million), representing an increase of approximately RMB505.6 million, which was mainly related to the net proceeds from the issuance of new shares listed on the Stock Exchange on 16 July 2021 and the subsequent exercise of part of over-allotment options by the Company of approximately RMB385.1 million as well as the increase in the tuition fees and boarding fees collected from students for the upcoming school year during the Year; partially offset by (i) as of 31 August 2021, contract liabilities amounted to approximately RMB194.0 million (2020: RMB2.5 million), representing an increase of approximately RMB191.5 million, which was because the 2020/2021 school year started later than usual due to the COVID-19 pandemic and only a small portion of tuition fees and boarding fees was collected from students for the upcoming school year as at 31 August 2020, which resulted in the significant decrease in contract liabilities as at 31 August 2020 as compared with previous years; and (ii) as of 31 August 2021, other payables and accruals amounted to approximately RMB108.3 million (2020: RMB95.0 million), representing an increase of approximately RMB13.3 million.

Liquidity, Capital Resources and Gearing Ratio

We have financed our capital expenditures and working capital requirements principally with cash generated from our operations during the Year. In the future, we believe that our liquidity requirements will be satisfied using a combination of cash flows generated from our operating activities and the net proceeds from the issue of new shares of the Company and other funds raised from the capital markets from time to time as needed. The Group's gearing ratio as of 31 August 2021, represented by bank borrowings as a percentage of total equity, was 0% (2020: 0%).

Property, Plant and Equipment

As at 31 August 2021, the Group's property, plant and equipment amounted to approximately RMB648.1 million, representing a decrease of approximately 0.3% year-on-year from approximately RMB649.8 million as at 31 August 2020. Such decrease was due to the fact that the amount of additions of property, plant and equipment during the Year was lower than the total amount of depreciation and special government subsidies.

Cash and Cash Equivalents

As at 31 August 2021, the Group's cash and cash equivalents was approximately RMB594.7 million, representing an increase of approximately 567.5% year-on-year from approximately RMB89.1 million as at 31 August 2020. The increase was mainly due to the combined effects of the following factors: (i) the increase in the numbers of students admitted during the Year; and (ii) the issuance of new shares on the Stock Exchange on 16 July 2021 and the subsequent exercise of certain over-allotment options by the Company of approximately RMB385.1 million.

As at 31 August 2021, cash and cash equivalents denominated in RMB amounted to RMB497.0 million and in HK$ amounted to RMB97.7 million (2020: denominated in RMB amounted to RMB89.1 million).

Capital Expenditures

Capital expenditures of the Group primarily related to the construction of the Beige campus, educational equipment and other intangible assets. For the Year, our capital expenditures amounted to RMB96.6 million (2020: RMB36.4 million).

Commitments

Our capital commitments primarily related to the acquisition of buildings and teaching facilities. The following table sets forth a summary of our capital commitments as of 31 August 2021:

	At 31 August	
	2021	2020
	RMB'000	RMB'000
Contracted, but not provided for:		
Buildings	**195,262**	14,669
Teaching facilities	**11,607**	1,491
	206,869	16,160

The contracted but not provided for commitments as of 31 August 2021 increased by approximately RMB190.7 million as compared to that as at 31 August 2020, which was mainly related to the construction of Phase IV of our Beige campus.

Key Financial Ratios

	At 31 August	
	2021	2020
Return on assets	**6.9%**	12.2%
Return on equity	**8.2%**	13.3%
Current ratio	**350.3%**	408.1%

Notes:

(1) Return on assets equals net profit for the year divided by total assets as at the end of the year.

(2) Return on equity equals net profit for the year divided by total equity amounts as at the end of the year.

(3) Current ratio equals our current assets divided by current liabilities as at the end of the year.

Foreign Exchange Risk Management

For the Group's operation in the PRC, the major revenue and expenses are denominated in RMB, while there are certain monetary assets and monetary liabilities that are denominated in Hong Kong dollars, which would expose the Group to foreign exchange risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Company monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises. For the Group's operation outside the PRC, the major revenue and expenses are denominated in local currencies.

Employees and Remuneration Policy

As at 31 August 2021, the Group had 1,454 employees. Comparing with last year, due to the impact of COVID-19 pandemic, the beginning of new semester was delayed until 12 October 2020 for new students and faculty of our College. For purposes of providing a fair comparable figure, we use the 1,486 employees of the Group as at 31 October 2020 for comparison and the number of employees decreased by 32 during the Year. The remuneration policy and package of the Group's employees, including bonuses and a share option scheme, are periodically reviewed in accordance with industry practice and result performance of the Group. The Group provides external and internal training programs to its employees. The Group participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, occupational injury insurance, maternity insurance and unemployment insurance. The total remuneration cost incurred by the Group during the Year was approximately RMB78.4 million (2020: RMB71.1 million), representing an increase of approximately RMB7.3 million or approximately 10.3%, which was due to the improvement in remuneration and benefit package for employees during the Year.

The Group has also adopted a share option scheme for the purpose of providing incentives to Directors, eligible employees and third party service providers. Further details in relation to the scheme will be set out in the "Directors' Report" section of the annual report of the Company for the year ended 31 August 2021.

Contingent Liabilities

As at 31 August 2021, the Group did not have material contingent liabilities.

Pledge of Assets

As at 31 August 2021, the Group did not pledge any assets.

Material Acquisitions and Disposals

The Group had no material acquisitions or disposals of subsidiaries, associates and/or joint ventures during the Year.

Significant Investments

As at 31 August 2021, the Group did not hold any significant investments save as those disclosed in this annual report.

Financial Assets at Fair Value Through Profit or Loss (the "FVTPL")

As at 31 August 2021, the Group's financial assets at FVTPL amounted to approximately RMB473.2 million (2020: RMB311.7 million), being a fund product issued by an institution in Hong Kong and three wealth management products issued by banks in the PRC. The increase in financial assets at FVTPL was mainly attributable to purchases of fund and wealth management products during the Year. For the Year, the Group recorded a fair value change on financial assets at FVTPL of approximately RMB3.4 million (2020: RMB1.7 million), which was mainly derived from the income receivable and the fair value gains on financial assets. The Group intended to hold the financial assets at FVTPL for short-term investment purpose in order to better utilize the available funds on hand.

As at 31 August 2021, the financial assets at FVTPL with a value of 5% or more of the Group's total assets held by the Group were summarized as follows:

Issuer and its principal business	Nature of investment	Date of agreement	Cost of investment RMB'000	Unrealised gain recorded RMB'000	Fair value of investment at 31 August 2021 RMB'000	Percentage of total assets at 31 August 2021
Shanghai Pudong Development Bank Co., Ltd. Banking services	Structured deposit products	10 August 2021	400,000	3,305	403,305	21.4%

The Group intended to purchase both principal protected and non-principal protected financial products issued by an institution and several sizable and reputable banks as a means of surplus cash management in the form of short-term financial products. Our structured deposit products we had invested were mainly with maturity within three months and expected coupon rates which were higher than the interest rate of fixed deposits and were generally described as having low risk.

It is our treasury management policy to utilize surplus cash reserves to invest in low-risk financial products and generate income without interfering with our business operations or capital expenditures. We will continue to invest in such financial products in the future.

Future Plans for Material Investments or Capital Assets

With a view of reinforcing its leading position in Shanxi Province, the PRC and enhancing its reputation, the Group has planned a number of expansion projects with the use of proceeds from the Company's initial public offering. Further details of such expansion projects are set out under the section headed "Use of Net Proceeds from the Company's Initial Public Offering" in this annual report and "Future Plans and Use of Proceeds" in the Prospectus, respectively.

Before the Company's listing, the Group has entered into a series of construction agreements for construction of Phase IV of our Beige campus of which some buildings are constructed by utilizing the net proceeds from the Company's initial public offering.

Other than those disclosed in this annual report, there was no plan authorised by the Board for material investments or additions of capital assets at the date of this annual report.

Directors and Senior Management

BOARD OF DIRECTORS

Chairman and Executive Director

Mr. Niu Sanping (牛三平), aged 62, the founder of our Group and the school principal of Shanxi Technology and Business College (山西工商學院) ("**Shanxi Technology & Business**"), was appointed as a Director on 14 September 2018 and re-designated as an Executive Director on 19 October 2020. Mr. Niu was also appointed as the Chairman of the Board on 19 October 2020. Mr. Niu is responsible for the overall formulation and guidance of business strategy and development of our Group. Mr. Niu is the father of Mr. Niu Jian and uncle of Mr. Niu Xiaojun.

Mr. Niu has more than 35 years of experience in education industry and has been deeply involved in the private higher education industry. Prior to establishing Shanxi Technology & Business, Mr. Niu was engaged in providing courses to prepare students to take the Self-Taught Higher Education Examination, a test under the administration of the Ministry of Education and National Self-Taught Higher Education Examination Steering Committee (全國高等教育自學考試指導委員會) and their subordinate agencies that awards college or bachelor degrees to self-taught students since 1987. Mr. Niu has also been the sole school sponsor of Shanxi Technology & Business since 2006 and up to October 2020.

Mr. Niu has been the vice chairman of Shanxi Society of Professors (山西省教授協會) since December 2018, a deputy to the 13th National People's Congress since 2018 and a vice-chairman of Shanxi Committee of Chinese Peasants and Workers Democratic Party since June 2007.

Mr. Niu completed the junior college degree course at Shanxi Normal University (山西師範大學) in Linfen, Shanxi Province, the PRC, majoring in Chinese Language and Literature in December 1987. He also obtained a master degree of educational leadership and management from Flinders University in Adelaide, Australia in September 2014. Mr. Niu obtained the qualification as Associate Professor in education leadership and management granted by the Department of Human Resources and Social Security of Shanxi Province (山西省人力資源和社會保障廳) in April 2018.

Executive Directors

Mr. Niu Jian (牛健), aged 36, joined our Group in December 2007 as the principal assistant and executive principal in Shanxi Technology & Business and was appointed as a Director on 14 September 2018 and re-designated as an Executive Director on 19 October 2020. Mr. Niu was appointed as the Chief Executive Officer of the Company on 19 October 2020. Mr. Niu is responsible for the overall management and strategic development of our Group. Mr. Niu is the son of Mr. Niu Sanping and cousin of Mr. Niu Xiaojun.

Mr. Niu has more than 14 years of experience in education.

Mr. Niu served as a committee member of the 12th Shanxi Youth Federation (山西省青年聯合會第十二屆委員) since 2020, a representative committee member of the 5th People's Congress of Xiaodian District, Taiyuan City, Shanxi Province (山西省太原市小店區第五屆人大) in 2016 and a committee member of Taiyuan Municipal Committee of Shanxi Province (山西省太原市市政協) since 2017. He also served as the executive director (常務理事) of the 1st Council of the New Social Class in Shanxi Province (山西省新社會階層第一屆理事會) in 2016.

Mr. Niu completed the junior college degree course at Shanxi University of Finance and Economics (山西財經大學) in Taiyuan, Shanxi Province, the PRC, majoring in business English in July 2007. Mr. Niu obtained a master degree in project management from Universite du Quebec a Chicoutimi, Quebec, Canada in April 2014.

Mr. Niu Xiaojun (牛小軍), aged 42, was appointed as an Executive Director on 19 October 2020. Mr. Niu is responsible for the informatization of our Group. Mr. Niu is the nephew of Mr. Niu Sanping and cousin of Mr. Niu Jian.

Mr. Niu joined our Group in May 2004 and since then, he has been the director (總監) of equipment and information construction center of Shanxi Technology & Business where he is responsible for the informatization construction of Shanxi Technology & Business. Mr. Niu graduated from Shanxi Normal University with a bachelor degree in education technology in January 2009.

Ms. Zhang Zhonghua (張中華), aged 43, joined the Group in December 2006 and was appointed as an Executive Director on 19 October 2020. Ms. Zhang is also a deputy principal of Shanxi Technology & Business where she is responsible for human resources management, quality control and external affairs of Shanxi Technology & Business.

Ms. Zhang has more than 15 years of experience in education industry. She is currently the deputy principal of Shanxi Technology & Business assisting the principal in human resources management, quality control and external affairs of Shanxi Technology & Business.

Ms. Zhang is currently a committee member of Shanxi Provincial Party Committee of China Agricultural and Democratic Party (中國農工民主黨山西省委員會).

She obtained a master degree in business administration from University of Shanghai for Science and Technology (上海理工大學) in Shanghai, the PRC in June 2015.

Independent Non-executive Directors

Mr. Zan Zhihong (昝志宏), aged 59, was appointed as an independent non-executive Director on 23 June 2021. Mr. Zan is responsible for providing independent opinion and judgment to our Board.

Mr. Zan has over 37 years of experience in accounting education. He is currently a professor of Shanxi University of Finance and Economics and an independent directors of each of Daqin Railway Co., Ltd. (大秦鐵路股份有限公司), whose shares are listed on the Shanghai Stock Exchange (stock code: 601006), and Shenzhen Huakong Seg Co., Ltd. (深圳華控賽格股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000068).

Mr. Zan graduated from Shanxi College of Finance and Economics (山西財經學院) (currently known as Shanxi University of Finance and Economics (山西財經大學)), majoring in finance in July 1984 and obtained a master degree in economics from Shanxi University of Finance and Economics in June 2009. Mr. Zan obtained the qualification of professor in November 2001.

Mr. Hu Yuting (胡玉亭), aged 36, was appointed as an independent non-executive Director on 23 June 2021. Mr. Hu is responsible for providing independent opinion and judgment to our Board.

Mr. Hu has over 12 years of experience in the legal industry. He has been the partner of Shanxi Guojin Law Firm (山西國晉律師事務所) since February 2018. From March 2009 to February 2018, he was the partner of Shanxi Qiancheng Law Firm (山西謙誠律師事務所).

Mr. Hu obtained a bachelor degree in law from Bohai University (渤海大學) in Jinzhou, Liaoning Province, the PRC in June 2008. He was awarded the national legal professional qualification by the Ministry of Justice of the PRC in February 2009.

Mr. Yau Wai Man Philip (邱偉文), aged 45, was appointed as an independent non-executive Director on 23 June 2021. Mr. Yau is responsible for providing independent opinion and judgment to our Board.

Mr. Yau has over 16 years of experience in accounting, finance, mergers and acquisitions, corporate finance, audit and risk management. From July 2004 to January 2006, he worked at PricewaterhouseCoopers Consultants (Shenzhen) Limited Shanghai Branch (普華永道諮詢(深圳)有限公司上海分公司) with his last position as a senior manager in assurance department. From January 2006 to July 2011, he worked at Protiviti Shanghai Co., Ltd. (甫瀚諮詢(上海)有限公司) with his last position as the managing director and also the leader of Shenzhen office. From September 2011 to March 2016, he served as a partner of Ernst & Young Asia-Pacific Services (HK) Limited. From February 2016 to December 2019 and from February 2019 to December 2019, Mr. Yau served as the chief financial officer of AMTD Group Company Limited and its wholly-owned subsidiary, AMTD International Inc. (stock symbol: HKIB), a company listed on the New York Stock Exchange, respectively. Since May 2020, Mr. Yau has served as an independent director of Legend Biotech Corporation (stock symbol: LEGN), a company listed on NASDAQ.

Mr. Yau obtained a bachelor's degree in arts from Charles H. Lundquist College of Business of University of Oregon in the United States in June 1997. Mr. Yau subsequently obtained a master's degree in business administration from Northwestern University in the United States and the Hong Kong University of Science and Technology in June 2019. Mr. Yau is a certified public accountant in the United States, a fellow member of the Hong Kong Institute of Certified Public Accountants, and a member of the Institute of Internal Auditors.

SENIOR MANAGEMENT

Ms. Xu Yanjie (許燕傑), aged 45, joined the Group in July 2020 as the financial manager and was appointed as the chief financial officer of the Company on 19 October 2020. Ms. Xu is responsible for financial management of our Group.

From January 2020 to June 2020, Ms. Xu was the financial manager of Shanxi Tongcai Education Investment Co., Ltd. (山西通才教育投資有限公司), a company jointly owned by Mr. Niu Sanping, Mr. Niu Jian before 12 July 2021. From January 2017 to July 2019, she was the financial manager of Shanxi Jinchi Sporting Goods Co., Ltd. (山西勁馳體育用品有限公司).

Ms. Xu graduated from Shanxi University of Finance and Economics with a bachelor's degree in accounting in July 1999. She obtained the qualification of senior accountant in August 2013 and the qualification of the Chinese Certified Tax Agent in February 2016, respectively.

Mr. Zhang Zhiwei (張志偉), aged 41, was the risk management controller of our Group with effect from 19 October 2020. Mr. Zhang is responsible for the risk management control of our Group.

Mr. Zhang has over 18 years of experience in education industry. Currently, Mr. Zhang is also the director (主任) of office of Shanxi Technology & Business responsible for coordination of the work of various departments and external communications with PRC governmental authorities and media. He joined the Group in May 2003 as deputy secretary (副書記) and then secretary (書記) of Communist Youth League and subsequently acted as the director (主任) of the Party office and the School office, the director (主任) of the Employment and Entrepreneurship Center and the secretary (書記) of Institute of Innovation and Entrepreneurship before the present position.

Mr. Zhang has been serving as the deputy secretary of Shanxi Province Association for Private Education (山西省民辦教育協會) (the "**Association**") since May 2010, assisting the secretary-general in the routine management of the Association which is a social organization voluntarily formed by various private institutions and individuals in the private education industry in Shanxi Province with the approval of the Department of Education and the Department of Civil Affairs of Shanxi Province.

Through his work experience above and long-term service in the Association, Mr. Zhang is familiar with the affairs of our college and our students, and has comprehensive knowledge of laws and policies at both national and provincial level applied to the operation of our college. Therefore, Mr. Zhang is capable of assessing and responding to the underlying risks in connection with the student affairs, administrative management and business operation of our College as well as the development of laws and policies in relation to private education.

Mr. Zhang graduated from Shanxi University (山西大學) in Taiyuan, Shanxi Province, the PRC with a bachelor's degree in economics in June 2006 and obtained a master degree in education from Shanxi University in December 2016. Mr. Zhang obtained the qualification as a teacher in higher education institutions in June 2013 and the qualification as a lecturer in March 2019.

COMPANY SECRETARY

Mr. Zhang Senquan (張森泉), aged 44, was appointed as the company secretary of the Company on 19 October 2020. Mr. Zhang currently serves as the chief executive officer of Zhong Rui Capital (Hong Kong) Limited, a consultancy company. He has been an independent director of Jiangsu Aidea Pharmaceutical Co., Ltd. (江蘇艾迪藥業股份有限公司) (a company listed on Sci-Tech innovation board of Shanghai Stock Exchange with a stock code of 688488) since May 2019. Mr. Zhang is currently an independent non-executive director of Jiande International Holdings Limited (formerly known as First Mobile Group Holdings Limited) (stock code: 865), Natural Food International Holding Limited (stock code: 1837), Sang Hing Holdings (International) Ltd. (stock code: 1472) and Strawbear Entertainment Group (stock code: 2125), whose shares are listed on the Stock Exchange.

Mr. Zhang also once served in other companies listed on the Stock Exchange, including: (i) Beijing Digital Telecom Co., Ltd. (stock code: 6188) as an independent non-executive director from June 2018 to June 2021; (ii) Bonny International Holding Limited (stock code: 1906) as an independent non-executive director from March 2019 to June 2020; (iii) Southwest Securities International Securities Limited (stock code: 812) as the managing director from February 2016 to March 2020; (iv) Casablanca Group Limited (stock code: 2223) as an independent non-executive director from April 2015 to April 2018; and (v) Huazhong In-Vehicle Holdings Company Limited (stock code: 6830) as the chief financial officer and joint company secretary from May 2014 to July 2015. Mr. Zhang has over ten years of experience in accounting and auditing, and worked at Ernst & Young Hua Ming, KPMG Huazhen and Deloitte Touche Tohmatsu CPA Ltd., serving several positions from audit staff to audit partner from October 1999 to October 2012.

Mr. Zhang obtained his bachelor's degree in economics from Fudan University in Shanghai, the PRC in July 1999. Mr. Zhang has been a member of Hong Kong Institute of Certified Public Accountants since September 2011, China Institute of Certified Public Accountants since December 2001 and American Institute of Certified Public Accountants since September 2015.

Directors' Report

The Directors have pleasure in presenting their report and the audited consolidated financial statements of the Group for the year ended 31 August 2021.

CORPORATE REORGANIZATION AND LISTING

The Company was incorporated in the Cayman Islands on 14 September 2018 as an exempted company with limited liability under the Companies Act of the Cayman Islands.

Pursuant to a corporate reorganization in preparation for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company became the holding company of the companies now comprising the Group. Details of the corporate reorganization are set out in the section headed "History and Corporate Structure" in the prospectus of the Company dated 30 June 2021 (the "**Prospectus**").

The ordinary shares, each with nominal value of US$0.00001, of the Company (the "**Shares**") have been listed on the Main Board of the Stock Exchange (the "**Listing**") since 16 July 2021 (the "**Listing Date**").

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the provision of higher education services in the PRC. Details of the activities of the principal subsidiaries and consolidated affiliated entities are set out in note 1 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business for the year ended 31 August 2021 and a discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 21 of this annual report. Discussion and information therein forms part of this Director's Report.

PRINCIPAL RISKS AND UNCERTAINTIES

Save as disclosed in the section headed "Risks relating to the Contractual Arrangements" in this Directors' Report, certain principal risks and uncertainties involved in the Group's operations are as follows:

(i) new legislation or changes in the PRC regulatory requirements regarding private higher education may affect our business, financial condition, results of operations and prospects;

(ii) we are subject to extensive governmental approvals and compliance requirements for establishing our campuses and school premises and several of the properties we use for our operations are not in full compliance with applicable laws and regulations;

(iii) we face intense competition in the PRC education industry;

(iv) our business is heavily dependent on our reputation;

(v) our business, financial condition, and results of operations depend largely on the number of students that our college may admit, which in turn is subject to the admission quota approved by the relevant education authorities and limited by the capacity of our college's facilities; and

(vi) our business and results of operations depend on the level of tuition fees and boarding fees we are able to charge and our ability to maintain and raise tuition fees and boarding fees.

FINANCIAL KEY PERFORMANCE INDICATORS

An analysis of the Group's performance for the year ended 31 August 2021 using financial key performance indicators (the "**KPI**") is set out in the section headed "Financial Highlights and Summary" on page 3 of this annual report. Such KPIs are selected on basis of their effectiveness in measuring the performance of Group's business with nature in private education industry.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company is not aware of any environmental-related or social-related risks or climate-related issues that would actually or potentially impact our business, strategy or financial performance. Furthermore, the Company has not noted any material incompliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment.

The Group has adopted and implemented student health and safety measures and procedures to protect our students from bodily harm and other health and safety risks. We provide routine medical services for our students and faculty by qualified medical personnel. In the event of serious or emergency medical situations, we will promptly send our students to local hospitals for treatment. With respect to school safety, we promote the security of our college by engaging third party security companies to provide security services.

Details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended 31 August 2021 which will be published in due course not later than five months after the financial year end.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out in the PRC by the Company's subsidiaries and affiliates. The Group's operations accordingly shall comply with relevant laws and regulations in the PRC.

Save as disclosed below, the Group has complied, to the best knowledge of the Directors, in material aspects with all relevant PRC laws and regulations that have significant impacts on the operations of the Group for the year ended 31 August 2021.

Matters not in full compliance with PRC laws and regulations for the year ended 31 August 2021 and relevant internal control measures for on-going compliance are summarized below. Details of non-compliances are disclosed in the section headed "Business – Legal Proceedings and Non-compliance" in the Prospectus. Unless otherwise defined herein, capitalized terms used below shall have the same meanings as those defined in the Prospectus.

Land for which we have not obtained land use right certificates or real estate title certificates

We have not obtained land use right certificates or real estate title certificates with respect to three parcels of land (one on Longcheng campus and two on Beige campus) used by our College with a gross site area of approximately 124,803.8 sq. m., representing 25.9% of the total land used by our College.

We are in the process of applying for the land use right certificates or real estate title certificates and are closely following up with the government authorities with respect to our applications. These land-related non-compliances are mainly due to the competent authorities still in the process of completing their internal procedures for granting land use rights.

As advised by our PRC legal advisors, there is no material legal impediment for us to obtain the land use right certificate or real estate title certificate for the relevant land on Longcheng campus. Directors understand that the land use right certificate for the relevant land on Longcheng campus is expected to be obtained by the first quarter of 2022. The real estate title certificate will be proceeded after the land use right certificate is obtained.

For the two parcels of land on Beige campus, the relevant government authority is still in the process of completing its initial internal procedures, which mainly includes changing the land usage to science and education purposes. The expected timeline for obtaining the outstanding land use right certificates or real estate title certificates is not certain up to the date of this annual report. Based on the best knowledge of the Directors, such internal procedures are particularly lengthy due to the fact that in the past decade, the local government has made several revisions to urban development plans of the area where the two parcels of land are located which makes the relevant governmental departments difficult to determine the usage of the two parcels of land. These two parcels of land, on which we have not built any buildings, are not planned for future use and do not have material adverse effect on our business development.

Buildings in which we have interests and our construction work on Longcheng campus and Beige campus have certain defects

All of the 81 buildings in which we have interests and our construction work on Longcheng campus and Beige campus have certain defects, including for not obtaining real estate title certificates, buildings ownership certificates or construction commencement permit, not completing fire control design and inspection and construction project completion acceptance check, not performing the required construction project approval procedures, and not completing environmental protection inspection and acceptance checks.

As advised by our PRC legal advisors, we may be subject to the certain fines and/or penalties in connection with the non-compliances. However, we are not aware of any actual or contemplated actions, claims or investigations by any government authorities or third parties against us in relation to these buildings and construction work up to the date of this annual report.

The Group has engaged two third-party engineering companies to carry out fire control related maintenance and renovation work to ensure that the buildings meet the relevant fire control standards. In addition, a qualified independent environmental inspection and acceptance check company has been engaged to conduct the verification and acceptance check. We expect to solve the fire control related issues by the end of 2021. We are in the process of fulfilling the assessment procedures for the relevant inspections for some buildings and applying to the relevant government authorities for the outstanding certificates and permits for those qualified buildings, and are closely following up with the government authorities with respect to our applications.

The Directors understand that such non-compliance issues concerning our buildings will not have material adverse effect on our operations as a whole for the reasons: (i) there have not been any material safety incidents directly attributable to the safety of the school buildings and facilities and no regulatory intervention or concerns relating to the school buildings and facilities have been raised by competent authorities; and (ii) we regularly maintain the buildings and are of the view that the safety conditions of such buildings are sound.

Our College does not comply with the ratio of school site area to number of students enrolled

Pursuant to the Indicators for the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標(試行)》) promulgated by the Ministry of Education of the PRC (中華人民共和國教育部) (the "**MOE**") in 2004 (the "**Conditions**"), the ratio of our College's site area to the number of students enrolled should be not less than 54 sq. m. per student enrolled. The ratio of our College's site area to the number of students enrolled was 27.9 sq. m. per student for the 2020/2021 school year.

Land allocation is subject to land allocation plans and approvals of the local government which is beyond our control. As advised by our PRC legal advisor, there is no provision under the Conditions stipulating that a breach of the required ratio of site area to the number of students enrolled is subject to any legal consequences. Our PRC legal advisors are of the view that the risk that our College will be penalized by the Department of Education of Shanxi Province for failing to comply with the prescribed ratio between the school site area of our College and its number of full-time students enrolled is relatively low.

Up the date of this annual report, we are not aware of any actual or contemplated actions, claims or investigations by any government authorities or third parties against us in relation to the non-compliance. We will continue to monitor the situation and will purchase additional land to the extent this becomes required by the relevant government authorities.

Internal control measures for on-going compliance with the relevant PRC laws and regulations have been established

We have established internal control measures and our College has designated the relevant personnel who will be responsible for monitoring our on-going compliance with the relevant PRC laws and regulations that govern our business operations and overseeing the implementation of any necessary measures. In addition, Directors, senior management (including the principals and vice principals of our College) and employees involved will be provided with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance. Mr. Zhang Zhiwei, the risk management controller, is responsible for ensuring our overall on-going compliance.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 August 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 60 of this annual report.

The Directors do not recommend the payment of a dividend for the year ended 31 August 2021.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company may pay dividends out of share premium and retained earnings provided that immediately following the payment of such dividends the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The Company's reserves available for distribution to Shareholders as at 31 August 2021 calculated in accordance with the Companies Law of the Cayman Islands, amounted to RMB375,943,000.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years is set out on page 3 of this annual report.

DIRECTORS

The Directors during the year ended 31 August 2021 and up to the date of this annual report were:

Executive Directors

Mr. Niu Sanping *(Chairman)*
Mr. Niu Jian *(Chief Executive Officer)*
Mr. Niu Xiaojun (appointed on 19 October 2020)
Ms. Zhang Zhonghua (appointed on 19 October 2020)

Independent Non-executive Directors

Mr. Zan Zhihong (appointed on 23 June 2021)
Mr. Hu Yuting (appointed on 23 June 2021)
Mr. Yau Wai Man, Philip (appointed on 23 June 2021)

In accordance with Article 84 of the Articles of Association, Mr. Niu Jian will retire from office by rotation at the forthcoming annual general meeting (the "**AGM**") and shall then be eligible for re-election.

In accordance with Article 83(3) of the Articles of Association, Mr. Niu Xiaojun, Ms. Zhang Zhonghua, Mr. Zan Zhihong, Mr. Hu Yuting and Mr. Yau Wai Man, Philip will hold office only until the AGM and shall then be eligible for re-election.

DIRECTORS' SERVICE CONTRACTS AND LETTER OF APPOINTMENT

Each of Mr. Niu Sanping, Mr. Niu Jian, Mr. Niu Xiaojun and Ms. Zhang Zhonghua, being the Executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date as the Executive Directors.

Each of Mr. Zan Zhihong, Mr. Hu Yuting and Mr. Yau Wai Man, Philip, being the Independent Non-executive Directors, has entered into a letter of appointment with the Company for an initial term of one year commencing from the Listing Date as the Independent Non-executive Directors.

Save as aforesaid, no Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a written annual confirmation from each of Independent Non-executive Directors of his independence pursuant to the requirements of the Listing Rules. The Company considers all Independent Non-executive Directors to be independent in accordance with the independence guidelines as set out in the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

SHARE CAPITAL

The Shares have been listed on the Main Board of the Stock Exchange since 16 July 2021. The total number of Shares of the Company in issue upon the Listing and under the subsequent allotment and issue of the over-allotment Shares was 505,517,000 Shares at 31 August 2021.

Details of changes during the year in the share capital of the Company are set out in note 23 to the consolidated financial statements.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new Shares at the time of its listing on the Stock Exchange on 16 July 2021 and pursuant to the partial exercise of the over-allotment option on 6 August 2021 amounted to approximately RMB385.1 million, after deducting underwriting commissions and other listing expenses paid and payable by the Group in the global offering. Such net proceeds are intended to be or have been applied in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus. A summary of the use of net proceeds is set out below:

Purpose	Approx. % of total net proceeds	Net proceeds RMB'million	Utilized amount during the period from the Listing Date to 31 August 2021 RMB'million	Unutilized amount at 31 August 2021 RMB'million	Expected timeline for intended use of unutilized amount at 31 August 2021
Construction of Phase IV of Beige campus					
– a teaching building	10.2%	39.3	1.1	38.2	March 2024
– a library	34.8%	134.0	50.2	83.8	March 2024
Acquisition of or investment in private education institutions or acquisition of a parcel of land	25.0%	96.3	–	96.3	December 2023
Renovation and upgrade teaching buildings and dormitories on Longcheng campus	11.4%	43.9	0.5	43.4	December 2023
Purchases of teaching equipment and furniture	8.6%	33.1	4.3	28.8	December 2023
Working capital for general purposes	10.0%	38.5	9.9	28.6	N/A
Total	100.0%	385.1	66.0	319.1	

SHARE OPTION SCHEME

The share option scheme of the Company (the "**Share Option Scheme**") was adopted pursuant to a resolution of the then shareholder of the Company passed on 23 June 2021 for the primary purpose of providing incentives or rewards to Directors, employees or any other persons, motivating the eligible participants to optimise their contributions to the Group and attracting and retaining with the eligible participants.

The principal terms of the Share Option Scheme are as follows:

(i) the Share Option Scheme is valid for 10 years from 23 June 2021;

(ii) options may be exercised at any time during a period commencing on or after the date on which the option is accepted and granted and expiring on a date to be notified by the Board to each grantee which shall not be more than 10 years from the date on which the option is accepted and granted;

(iii) the exercise price of the share option will be determined at the highest of the closing price of the Shares on the Stock Exchange on the date of grant and the average of closing prices of the Shares on the Stock Exchange on the five business days immediately preceding the date of grant of the option;

(iv) the maximum number of Shares in respect of which options may be granted shall not exceed 50,000,000 Shares representing 10% of the total number of Shares in issue at the date of listing of the shares of the Company on the Main Board of the Stock Exchange (representing 9.89% of the issued Shares of the Company as at the date of this annual report);

(v) any offer of share options may be accepted in writing received by any Director or the Company Secretary on the date specified in the offer;

(vi) the maximum entitlement of each eligible participant in any 12-month period up to the date of offer to grant shall not exceed 1% of the Shares in issue as at the date of offer to grant; and

(vii) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Shares from time to time.

For further details of the Share Option Scheme, please refer to the section headed "Statutory and General Information – F. Share Option Scheme" in Appendix V to the Prospectus.

During the period from the Listing Date to the date of this annual report, the Group has not granted any share options to Directors, employees or any other persons.

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

As at 31 August 2021, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 of the Listing Rules (the "**Model Code**"), were as follows:

Long position in the Company

Name of Director	Capacity	Number of Shares interested	Approximate percentage of issued share capital of the Company (Note 3)
Mr. Niu Sanping	Interest in a controlled corporation (Note 1)	266,250,000	52.67%
Mr. Niu Jian	Interest in a controlled corporation (Note 2)	108,750,000	21.51%

Notes:

(1) Mr. Niu Sanping beneficially owns the entire issued share capital of Niusanping Limited which in turn owns 266,250,000 Shares, representing 52.67% of the Company's issued share capital. Therefore, Mr. Niu Sanping is deemed to be interested in the same as Niusanping Limited.

(2) Mr. Niu Jian beneficially owns the entire issued share capital of Niujian Limited which in turn owns 108,750,000 Shares, representing 21.51% of the Company's issued share capital. Therefore, Mr. Niu Jian is deemed to be interested in the same as Niujian Limited.

(3) The percentage is calculated on the basis of 505,517,000 Shares in issue at the date of this annual report.

Long position in the associated corporations

Name of Director	Capacity	Associated corporation	Percentage of shareholding
Mr. Niu Sanping	Beneficial owner	Shanxi Tongcai (Note 1)	71%
	Interest in a controlled corporation (Note 2)	Shanxi Technology & Business (Note 1)	100%
Mr. Niu Jian	Beneficial owner	Shanxi Tongcai	29%

Notes:

(1) Shanxi Tongcai and Shanxi Technology & Business are as defined in the section headed "Continuing Connected Transactions" in this Directors' Report.

(2) Mr. Niu Sanping is interested in 71% of Shanxi Tongcai which is the sole school sponsor of Shanxi Technology & Business. Therefore, Mr. Niu Sanping is deemed to be interested in 100% of Shanxi Technology & Business.

Save as disclosed above, none of the Directors, chief executive and their associates had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations as at 31 August 2021.

SUBSTANTIAL SHAREHOLDERS

As at 31 August 2021, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO showed that other than the interests disclosed above in respect of certain Directors and chief executive, the following Shareholders had notified the Company of relevant interests and underlying Shares in the issued share capital of the Company.

Name of substantial Shareholders	Capacity	Nature of Interest	Number of Shares interested	Approximate percentage of issued share capital of the Company (Note 3)
Niusanping Limited (Note 1)	Beneficial owner	Long	266,250,000	52.67%
Niujian Limited (Note 2)	Beneficial owner	Long	108,750,000	21.51%

Notes:

(1) Niusanping Limited is a company incorporated in the British Virgin Islands and wholly-owned by Mr. Niu Sanping.

(2) Niujian Limited is a company incorporated in the British Virgin Islands and wholly-owned by Mr. Niu Jian.

(3) The percentage is calculated on the basis of 505,517,000 Shares in issue at the date of this annual report.

Save as disclosed above, the Directors are not aware of any other person or corporation having an interest or short position in the Shares or the underlying Shares of the Company or its associated corporation(s) which would require to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES AND DEBENTURES

Save as disclosed under the section "Share Option Scheme" above, at no time during the year ended 31 August 2021 was the Company, its holding company, or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to 31 August 2021.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 August 2021 are set out in note 12 to the consolidated financial statements.

BORROWINGS

As at 31 August 2021, the Group had no borrowings.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as set out above, no equity-linked agreements were entered into by the Company during or subsisted during the year ended 31 August 2021.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Other than those transactions disclosed under the section "Continuing Connected Transactions" in this Directors' Report, no transaction, arrangement or contract of significance, to which a Director or an entity connected with a Director was a party and in which a Director of the Company is or was materially interested, whether directly or indirectly, subsisted at the year ended 31 August 2021 or at any time during the year nor was there any other transaction, arrangement or contract of significance in relation to the Company's business between the Company or any of its subsidiaries and any of controlling Shareholders or any companies under his control.

MANAGEMENT CONTRACT

Other than those Contractual Arrangements disclosed under the section "Continuing Connected Transactions" in this Directors' Report, no contracts concerning the management and administration of the whole or any substantial part of the Group's business subsisted during the year ended 31 August 2021.

CONTINUING CONNECTED TRANSACTIONS

Reasons for entering into the Contractual Arrangements

As disclosed in the section headed "Contractual Arrangements – Background of the Contractual Arrangements" in the Prospectus, the PRC laws and regulations generally restrict foreign ownership in the private higher education industry in the PRC. The Group currently conduct private higher education business through Shanxi Tongcai Educational Technology Company Limited (山西通才教育科技有限公司) ("**Shanxi Tongcai**") and Shanxi Technology and Business College (山西工商學院) ("**Shanxi Technology & Business**") (collectively the "**PRC Affiliated Entities**") in the PRC. Shanxi Tongshi Tiancai Educational Technology Co., Ltd. (山西通實天才教育科技有限公司, the "**Shanxi WFOE**"), which is a limited liability company established as a wholly foreign owned enterprise under the laws of the PRC and an indirect wholly-owned subsidiary of the Company, does not hold any equity interest in the PRC Affiliated Entities, but has entered into various agreements and arrangements with, among others, the PRC Affiliated Entities, Mr. Niu Sanping and Mr. Niu Jian (collectively the "**Contractual Arrangements**") through which the Group obtains control over and derive the economic benefits from the PRC Affiliated Entities.

The Contractual Arrangements, as a whole, are designed to provide the Group with effective control over the financial and operational policies of the PRC Affiliated Entities, to the extent permitted by PRC laws and regulations, the right to acquire the equity interest in and/or the assets of the PRC Affiliated Entities after the Listing through Shanxi WFOE. The Group operates the education business through the PRC Affiliated Entities, which are ultimately beneficially owned as to 71% by Mr. Niu Sanping, an Executive Director and a controlling Shareholder, and 29% by Mr. Niu Jian, an Executive Director, the Chief Executive Officer and a substantial Shareholder. The Group does not hold any direct equity interest in the PRC Affiliated Entities. The Contractual Arrangements were entered into on 12 November 2020 pursuant to which all material business activities of the PRC Affiliated Entities are instructed and supervised by the Group, through Shanxi WFOE, and all economic benefits arising from such business of the PRC Affiliated Entities are transferred to the Group.

The Contractual Arrangements consist of a series of agreements, including the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreement, the School Sponsor's and Directors' Rights Entrustment Agreement, the Shareholders' Rights Entrustment Agreement, the School Sponsor's Powers of Attorney, the Directors' Power of Attorney, the Shareholders' Power of Attorney and the Spouse Undertaking, each of which is an integral part of the Contractual Arrangements. Details of the Contractual Arrangements and the agreements are set out in the section headed "Contractual Arrangements" in the Prospectus.

The Directors (including the Independent Non-executive Directors) are of the view that the transactions contemplated under the Contractual Arrangements have been and will be entered into in the ordinary and usual course of business of our Group, are fundamental to our Group's legal structure and business operations, are on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

Listing Rules Implications

Mr. Niu Sanping and Mr. Niu Jian are the Executive Directors and substantial Shareholders of the Company, and therefore each of them is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. The transactions contemplated under the Contractual Arrangements, as a whole, constitute continuing connected transactions of the Company under the Listing Rules upon the Listing.

Waiver from the Stock Exchange and Annual Review

The Stock Exchange has granted a waiver to the Company from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules.

The waiver granted by the Stock Exchange is however subject to various conditions as disclosed in the section headed "Connected Transactions" in the Prospectus and which include, among the others, annual review as follows:

(i) the Contractual Arrangements in place during each financial period will be disclosed in the Company's annual report in accordance with relevant provisions of the Listing Rules;

(ii) the Independent Non-executive Directors will review the Contractual Arrangements annually and confirm in the Company's annual report for the relevant year; and

(iii) the Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a confirmation letter to the Directors with a copy to the Stock Exchange.

The Directors confirmed that the Company complied with the disclosure requirements of Chapter 14A of the Listing Rules in respect of all of its continuing connected transactions under the Contractual Arrangements for the year ended 31 August 2021.

Contractual Arrangements in Place

The Board has reviewed the overall performance of the Contractual Arrangements for the year ended 31 August 2021 and has confirmed that during the year ended 31 August 2021 the transactions contemplating under the Contractual Arrangements have been entered into in accordance with the relevant Contractual Arrangements. Up to the date of this annual report, there is no material change in the circumstances on which the Contractual Arrangements and/or the adoption of the Contractual Arrangements are based.

Details of the rights granted and material terms of the Contractual Arrangements are disclosed in the section headed "Contractual Arrangements" in the Prospectus. A summary of Contractual Arrangements in place is set out below with terms used and meant same as those defined in the Prospectus unless defined otherwise.

(1) Business Cooperation Agreement

Pursuant to the Business Cooperation Agreement, Shanxi WFOE shall provide technical services, management support and consulting services necessary for the private education business, and in return, the PRC Affiliated Entities shall make payments accordingly.

(2) Exclusive Technical Service and Management Consultancy Agreement

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

Furthermore, Shanxi WFOE agrees to provide exclusive management consultancy services to our PRC Affiliated Entities, including but not limited to, (a) design of major and curriculum; (b) preparation, selection and/or recommendation of course materials; (c) provision of teacher and staff recruitment and training support and services; (d) provision of student recruitment support and services; (e) provision of public relation services; (f) preparation of long term strategic development plans and annual working plans; (g) development of financial management systems and recommendation and optimization on annual budget; (h) advising on design of internal structures and internal management system; (i) provision of administrative staff management and consultancy training; (j) conduct of market research; (k) preparation of market development plan; (l) building of online and offline marketing network; and (m) providing other management technical services reasonably requested by our PRC Affiliated Entities.

(3) Exclusive Call Option Agreement

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

(4) School Sponsor's and Directors' Rights Entrustment Agreement And Shareholders' Rights Entrustment Agreement

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, the School Sponsor has irrevocably authorized and entrusted Shanxi WFOE to exercise all its rights as school sponsor of Shanxi Technology & Business to the extent permitted by the PRC laws.

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, each director of Shanxi Technology & Business (the "**Appointees**") has irrevocably authorized and entrusted Shanxi WFOE to exercise all their rights as directors of Shanxi Technology & Business to the extent permitted by the PRC laws.

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Registered Shareholders has irrevocably authorized and entrusted Shanxi WFOE to exercise all of his respective rights as shareholders of our School Sponsor to the extent permitted by the PRC laws.

(5) Powers of Attorney

Pursuant to the School Sponsor's Powers of Attorney executed by the School Sponsor in favor of Shanxi WFOE, our School Sponsor authorized and appointed Shanxi WFOE as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of Shanxi Technology & Business.

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favor of Shanxi WFOE, each of the Appointees authorized and appointed Shanxi WFOE as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of Shanxi Technology & Business.

Pursuant to the Shareholders' Powers of Attorney executed by each of the Registered Shareholders in favor of Shanxi WFOE, each of the Registered Shareholders authorized and appointed Shanxi WFOE, as his agent to act on his behalf to exercise or delegate the exercise of all his rights as shareholders of the our School Sponsor.

(6) Spouse Undertaking

Pursuant to the Spouse Undertaking, Ms. Geng Jie, the spouse of Mr. Niu Sanping, as one of the Registered Shareholders, has irrevocably undertaken that (i) she has full knowledge of and has consented to the entering into of the Contractual Arrangements by Mr. Niu Sanping, Shanxi WFOE and our PRC Affiliated Entities; (ii) she has not participated, is not participating and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to our PRC Affiliated Entities; (iii) she authorizes Mr. Niu Sanping or his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's direct or indirect equity interest and fully cooperates with the implementation of the relevant documents and procedures at any time; and (iv) any undertaking, confirmation, consent and authorization under the Spouse Undertaking shall not be revoked, prejudiced, invalidated or otherwise adversely affected.

(7) Equity Pledge Agreement

Pursuant to the Equity Pledge Agreement, each of the Registered Shareholders unconditionally and irrevocably pledged and granted first priority security interests over all of his equity interest in the School Sponsor, together with all related rights thereto to Shanxi WFOE as security for performance of the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Shanxi WFOE as a result of any event of default on the part of the Registered Shareholders and the PRC Affiliated Entities and all expenses incurred by Shanxi WFOE as a result of enforcement of the obligations of the Registered Shareholders and the PRC Affiliated Entities under the Contractual Arrangements.

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

Pursuant to the Equity Pledge Agreement, each party has undertaken that, if the registration authorities require to define the amount of the principal claim upon the pledge range in the equity pledge registration, the amount of claims under the Contractual Arrangements shall be registered as the principal, RMB50,000,000 and any other amount in the event of default and compensation under the Contractual Arrangements.

Confirmation from Independent Non-executive Directors

The Independent Non-executive Directors have reviewed the Contractual Arrangements and confirmed that during the year ended 31 August 2021 (i) the transactions carried out have been entered into in accordance with the relevant provisions of the Contractual Arrangements and operated so that the profit generated by the PRC Affiliated Entities has been substantially retained by the Group, (ii) no dividends or other distributions have been made by the PRC Affiliated Entities to the respective holders of equity interests or the school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group, (iii) no contracts were entered into, renewed or reproduced between the Group and the PRC Affiliated Entities, and (iv) the transactions contemplated under the Contractual Arrangements were entered into in the ordinary and usual course of business of the Group and are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation from the Company's Auditor

Ernst & Young, Certified Public Accountants, was engaged as the Company's auditor to review the Group's continuing connected transactions. For the purpose of Rule 14A.56 of the Listing Rules, Ernst & Young, Certified Public Accountants, has provided a letter to the Board, confirming that during the year ended 31 August 2021 the transactions contemplating under the Contractual Arrangements have been approved by the Board and have been entered into in accordance with the relevant Contractual Arrangements and no dividends or other distributions have been made by our PRC Affiliated Entities to the respective holders of equity or the school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group.

Risks relating to the Contractual Arrangements

Foreign investment in the education industry in the PRC is extensively regulated and subject to numerous restrictions. The Group has only entered into a series of agreements in which the wholly-owned subsidiary, Shanxi WFOE, receives economic benefits from the PRC Affiliated Entities pursuant to relevant clauses under the agreements. The Company expects to be continuously dependent on the Contractual Arrangements for operating the education business in the PRC.

On 15 March 2019, the National People's Congress of the PRC) (中華人民共和國全國人民代表大會) approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**") which came into effect on 1 January 2020. The Foreign Investment Law does not explicitly stipulate that arrangements such as the Contractual Arrangements are a form of foreign investment. In the extreme case scenario, we may be required to unwind the Contractual Arrangements and/or dispose of our PRC Affiliated Entities, which could have a material and adverse effect on our business, financial condition and result of operations.

If the Contractual Arrangements that establish the structure for operating the education business in the PRC are found to be in violation of any PRC laws or regulations in the future or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities, including the MOE, which regulates the education industry, would have broad discretion in dealing with such violations, including:

- revoking the business and operating licenses of our PRC Affiliated Entities;
- discontinuing or restricting the operations of any related-party transactions among our PRC Affiliated Entities;
- imposing fines or other requirements with which we or our PRC Affiliated Entities may not be able to comply;
- requiring us to restructure our operations in such a way as to compel us to establish new entities, re-apply for the necessary licenses or relocate our business staff and assets;
- imposing additional conditions or requirements with which we may not be able to comply; or
- restricting the use of proceeds from our additional public offering or financing to finance our business and operations in China.

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

UPDATES IN RELATION TO FOREIGN INVESTMENT LAW AND QUALIFICATION REQUIREMENT

Foreign Investment Law

As advised by our PRC legal advisors, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, regulations and rules do not incorporate or recognize such contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties.

For the period from the Listing Date to 31 August 2021, the Foreign Investment Law has not been amended. For details about the impact and potential consequences of the Foreign Investment Law on our Contractual Arrangements, please refer to the section headed "Contractual Arrangements" in the Prospectus.

Nevertheless, considering that a number of existing conglomerates are operating under contractual arrangements and some of which have obtained listing status abroad and contractual arrangements are not specified as foreign investment under the Foreign Investment Law, our Directors are of the view that it is unlikely that the relevant regulations will take retrospective effect to require the relevant enterprises to remove the contractual arrangements.

Qualification Requirement

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Regulation on Sino-Foreign Cooperation in Operating Schools, if we were to apply for Shanxi Technology & Business to be reorganized as a sino-foreign joint venture private school for PRC students at a higher education institution (a "**Sino-Foreign Joint Venture Private School**"), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and that provides high quality education (the "**Qualification Requirement**").

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

As advised by the PRC legal advisors, the failure to meet the Qualification Requirement and the adoption of the Contractual Arrangements to operate our higher education business do not render our higher education business as illegal operations in the PRC. We do not meet the Qualification Requirement as we have no experience in operating a school outside of the PRC. However, the Department of Education of Shanxi Province has confirmed that it is possible that approval may be granted to an investor that is an education institution legally established and qualified to award diploma certificates in a foreign country to qualify for approval as a foreign investor of a Sino-Foreign Joint Venture Private School.

Notwithstanding the foregoing, the Company is committed to working towards meeting the Qualification Requirement and have implemented a business plan to ensure our compliance with Qualification Requirement and with a view to expanding our education network abroad. We have engaged an agent, who is principally engaged in education consulting and licensing services, to assist us in establishing General Business University of California Incorporated and filing applications with the California Bureau for Private Postsecondary Education, a unit of the California Department of Consumer Affairs in charge of regulation of private postsecondary educational institutions operating in the State of California, the United States, (the "**BPPE**") regarding the establishment of a degree-granting higher education institution in California, the United States (the "**US School**").

On 22 October 2020, Generalist Business University of California Incorporated was established in California, the United States by our agent, which was renamed as General Business University of California Incorporated on 4 November 2020, and its sole member is China General Education Group (HK) Limited, a direct wholly-owned subsidiary of the Company. General Business University of California Incorporated will operate and manage the US School to be established. We filed an application for a provisional license for a school of the same name with the BPPE in June 2021 and expect to obtain the relevant license by the end of 2022. The US School will recruit the first batch of students in the semester commencing in December 2022 subject to the approval process by the BPPE.

In the opinion of our PRC legal advisors, based on the consultation with the Department of Education of Shanxi Province, if the specific guidance and implementing rules with regards to the Qualification Requirement are promulgated and assuming the new school to be operated by General Business University of California Incorporated or another foreign educational institution established by us gains a level of foreign experience sufficient to demonstrate compliance with the Qualification Requirement in the future provided that the then PRC laws and regulations do not impose new requirements, restrictions, or prohibitions in relation to the establishment of the Sino-Foreign Joint Venture Private Schools), we may be able to get the approval to establish a Sino-Foreign Joint Venture Private Schools by relevant educational authority or such other educational institution subject to the approval from the competent educational authorities.

We will continue to keep ourselves updated with regard to all relevant regulatory developments and guidance relating to the Qualification Requirement and provide periodic updates in our annual and interim reports to inform Shareholders of our efforts and actions undertaken with the Qualification Requirement.

RELATED PARTY TRANSACTIONS

During the year ended 31 August 2021, the Group entered into certain transactions with the related parties, details of which were disclosed in note 27 to the consolidated financial statements.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year ended 31 August 2021, no Directors have interests in any business which directly or indirectly competes, or is likely to compete, with the business of the Group or have any other conflict of interests with the Group.

NON-COMPETITION UNDERTAKINGS

The PRC laws and regulations generally restrict foreign ownership in the private higher education industry in the PRC. The Group currently conduct private higher education business through the PRC Affiliated Entities in the PRC. The Shanxi WFOE does not hold any equity interest in the PRC Affiliated Entities, but has entered into the Contractual Arrangements with, among others, the PRC Affiliated Entities, Mr. Niu Sanping and Mr. Niu Jian through which the Group obtains control over and derive the economic benefits from the PRC Affiliated Entities.

In order to address the potential conflicts of interest between Mr. Niu Sanping and Mr. Niu Jian, who are the shareholders of Shanxi Tongcai, (the "**Registered Shareholders**"), and the Company, each of the Registered Shareholders has undertaken to Shanxi WFOE that, unless with the prior written consent of Shanxi WFOE, the Registered Shareholders (severally or jointly) shall not directly or indirectly engage, participate in, conduct, acquire or hold any business or activities which compete or may potentially compete with any of the PRC Affiliated Entities and their subsidiaries (the "**Competing Business**") and Shanxi WFOE is granted an option to (i) require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Contractual Arrangements; or (ii) require the entity engaging in the Competing Business to cease operation (collectively the "**Non-Competition Undertakings**").

Details of the Contractual Arrangements and the Non-Competition Undertakings are set out in the section headed "Contractual Arrangements" in the Prospectus.

In order to ensure the Registered Shareholders' compliance with the terms of the Non-Competition Undertakings for the year ended 31 August 2021, (i) each of the Registered Shareholders has given a written confirmation to the Company that he has complied with the terms of the Non-Competition Undertakings for the year ended 31 August 2021, (ii) the Company has enquired each of the Registered Shareholders from time to time, about whether he has been interested, involved or engaged in any Competing Business, and enquiries about the same have been made with each of them before publication of this annual report, and (iii) the Independent Non-executive Directors of the Company have reviewed the available information and understood that, as far as they can ascertain, the Registered Shareholders have complied with the terms of the Non-Competition Undertakings for the year ended 31 August 2021.

EMOLUMENT POLICY

The Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to all employees of the Group including social insurance coverage, housing provident funds, bonus and share option scheme. The Group mainly determines staff remuneration on basis of the competence, qualifications and performance of individual employee and the salary trends in the PRC. The staff remuneration will be reviewed regularly.

REMUNERATION OF DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration, having regard to relevant Director's experience, duties and responsibilities, performance and achievement, and market rate. None of the Directors will determine their own remuneration.

Details of the Directors' remuneration and the five highest paid employees in the Group are set out in notes 7 and 8 to the consolidated financial statements in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Our customers primarily consist of our students. For the year ended 31 August 2021, we did not have any single customer who accounted for more than 5% of our annual revenue and the aggregate goods and services provided by the Group to its five largest customers were less than 30% of our annual revenue.

Our suppliers primarily consist of logistics service providers, construction project contractors, maintenance and renovation contractors, heating service providers, electricity service provider. For the year ended 31 August 2021, the aggregate purchases from our five largest suppliers amounted to approximately RMB37.9 million accounting for about 53.5% of our total annual purchases. The purchases from our largest supplier for the year ended 31 August 2021 amounted to approximately RMB12.8 million accounting for about 18.0% of our total annual purchases.

Save as disclosed above, none of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of the Group's five largest customers or the Group's five largest suppliers during the year ended 31 August 2021.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on 21 January 2022. A notice convening the AGM and all other relevant documents will be published and dispatched to the Shareholders.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 18 January 2022 to Friday, 21 January 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 17 January 2022.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules (the "**CG Code**") as its own code of corporate governance. The Company has complied with the code provisions as set out in the CG Code from the Listing Date to 31 August 2021.

EVENTS AFTER THE REPORTING PERIOD

There was no significant events took place subsequent to 31 August 2021 and up to the date of this annual report.

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules since the Listing Date and up to 31 August 2021.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, the Directors or the officers of the Company acting in relation to any of the affairs of the Company shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their respective offices. The Company has arranged appropriate directors' and officers' liability insurance which is currently in force to provide coverage for the Directors and officers of the Group at the date of this annual report.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 August 2021 amounted to RMB100,000.

TAX RELIEF AND EXEMPTION

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

AUDITOR

A resolution will be proposed at the forthcoming AGM for the re-appointment of Ernst & Young, Certified Public Accountants, as the auditor of the Company.

On behalf of the Board
Niu Sanping
Chairman

Hong Kong, 29 November 2021

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance practices and procedures to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the code provisions stated in the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

As the Company became listed on the Stock Exchange on 16 July 2021, the Board and each of the Board committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee did not convene any meeting during the period from the Listing Date to 31 August 2021. The Board believes that the Company has fully complied with the CG Code since the Listing Date and up to 31 August 2021.

THE BOARD

Responsibilities and Delegation

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The senior management team of the Group has a wide range of skills, knowledge and experience necessary to govern the Group's operations. The Board has delegated the authorities and responsibilities for day-to-day management and operations of the Group to the senior management team of the Group. This will allow the Group to allocate resources more efficiently for its decision-making and facilitate its daily operations. The delegated functions and responsibilities are periodically reviewed by the Board to ensure that they remain appropriate to the Company's needs. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management on the Company's behalf.

To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. Matters of which the Board considers suitable for delegation to its committees are contained in the specific terms of reference of its committees. The terms of reference clearly define the powers and responsibilities of the Board committees. In addition, the Board will receive reports and/or recommendations from time to time from the Board committees on any matter significant to the Group. All Board committees are provided with sufficient resources to perform their duties.

The Board reserves for its decision on all major matters of the Company, including approval and monitoring of overall strategies, budgets, material transactions, conflict of interests, financial information, appointment of Directors and other significant financial and operational matters.

Corporate Governance Functions

The Board is responsible for the overall corporate governance functions. The primary corporate governance duties are to monitor the Company's policies and practices on corporate governance; to ensure the Company's compliance with legal and regulatory requirements; to review the training and continuous professional development of Directors and senior management; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's compliance with the CG Code and the disclosure in the Corporate Governance Report.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and not be performed by the same individual. The Chairman is responsible for the leadership and effective running of the Board and ensuring that all material issues are discussed by the Board in a timely and constructive manner. The Chief Executive Officer is responsible for the management of the day-to-day operations and the implementation of the approved strategies of the Group.

To ensure a balance of power and authority, Mr. Niu Sanping has acted as the Chairman and Mr. Niu Jian has acted as the Chief Executive Officer of the Company since the Listing Date. Mr. Niu Sanping and Mr. Niu Jian are also Executive Directors.

Board Composition

The Board currently comprises four Executive Directors and three Independent Non-executive Directors. The Board has at least one-third of its membership comprising Independent Non-executive Directors in accordance with Rule 3.10A of the Listing Rules. The following are the members of the Board from the Listing Date and as at the date of this annual report:

Executive Directors

Mr. Niu Sanping *(Chairman)*
Mr. Niu Jian *(Chief Executive Officer)*
Mr. Niu Xiaojun
Ms. Zhang Zhonghua

Independent non-executive Directors

Mr. Zan Zhihong
Mr. Hu Yuting
Mr. Yau Wai Man, Philip

The biographical details and responsibilities of the Directors as well as the senior management are set out in the section headed "Directors and Senior Management" on pages 22 to 25 of this annual report.

Save as disclosed in the section headed "Directors and Senior Management" to this annual report, the Directors have no other financial, business, family or other material/relevant relationships with one another.

For the period from the Listing Date and up to the date of this annual report, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10(A) of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise and the number of Independent Non-executive Directors represents at least one-third of the Board. Among the three Independent Non-executive Directors, Mr. Yau Wai Man, Philip has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

Nomination Policy

The appointment of a Director is made on the recommendations of the Nomination Committee and by approval of the Board or by the Shareholders at a general meeting either to fill a casual vacancy or as an addition to the Board.

The Nomination Committee invites nominations of candidates from members of the Board and may also put forward other candidates when vacancies on the Board exist. Before making recommendations to the Board, the Nomination Committee reviews and assesses the suitability of candidates for directorship, according to certain assessment criteria, including but not limited to reputation for integrity, experience in the relevant industry, contributions to the Board and time commitments, and by making reference to the board diversity policy, the Company's needs and the current composition of the Board. The Board will also consider the independence of Independent Non-executive Directors before making appointments or recommendations. The Board may consider engaging an external recruitment agency to carry out the recruitment and selection process when necessary.

A Shareholder can serve a notice, at least 7 days prior to the date of the general meeting with candidates standing for election as Directors, to the Company of intention to propose a person as a Director without nomination by the Nomination Committee or recommendation by the Board.

Board Diversity Policy

The Company has adopted a board diversity policy to ensure that the Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our business strategy. Pursuant to the board diversity policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, gender, age, cultural, education background and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board. The Board believes that such merit-based appointments will best enable the Company to serve the Shareholders and other stakeholders going forward.

As at the date of this annual report, the Board comprises seven Directors. Directors have a balanced mix of knowledge and skills, including knowledge and experiences in the areas of law, finance and management in addition to education business. They obtained degrees in various majors including law, finance and management. Furthermore, the Board has a wide range of age, ranging from 36 years old to 62 years old. The Company has also taken, and will continue to take steps to promote gender diversity at all levels, including but without limitation at the Board and the management levels. In particular, one of seven Directors is female. After due consideration, the Board believes that based on existing business model and meritocracy of Directors, its composition satisfies the principles under the board diversity policy.

Measurable Objectives

The Company aims to maintain an appropriate balance of Directors with diverse perspectives that are relevant to the development of Company's business. The Company is committed to ensuring that recruitment and selection of Directors are structured at all levels so as to have a diverse range of candidates for consideration. Meanwhile, the Board has not set any measurable objectives for achieving the diversity on the Board. However, the Nomination Committee will discuss periodically and, when necessary, agree on the measurable objectives and recommend them to the Board for adoption.

Board Meetings

The Company became listed on 16 July 2021. No Board meeting was held during the period from the Listing Date and up to 31 August 2021. The Company shall adopt the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals.

Notices shall be given for all regular Board meetings not less than fourteen days to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. The agenda and accompanying Board papers are dispatched to the Directors at least three days before the meeting to ensure that they have sufficient time to review the papers and be adequately prepared for the meeting. When Directors are unable to attend a Board meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board prior to the meeting. Minutes of Board meetings are kept by the Company Secretary with copies circulated to the Board members for records.

Minutes of the Board meetings shall be recorded in sufficient details of matters discussed and considered by the Board and the decisions reached, including any concerns raised by the Board members and dissenting views expressed. Draft minutes of each Board meeting are sent to the Board members for comments within a reasonable time after the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

Appointment and Re-election of Directors

Each of Mr. Niu Sanping, Mr. Niu Jian, Mr. Niu Xiaojun and Ms. Zhang Zhonghua, being the Executive Directors, has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date as the Executive Directors.

Each of Mr. Zan Zhihong, Mr. Hu Yuting and Mr. Yau Wai Man, Philip, being the Independent Non-executive Directors, has entered into a letter of appointment with the Company for an initial term of one year commencing from the Listing Date as the Independent Non-executive Directors.

Pursuant to the Article 84 of the Articles of Association, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting and shall then be eligible for re-election provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Pursuant to the code provision A.4.2 of the CG Code, Directors appointed to fill casual vacancies should be subject to election by Shareholders at the first general meeting of the Company after appointment and every Director, including those appointed for a specific term, should be subject to retirement by rotation and re-election at least once every three years.

Appointments and re-appointments of Directors by the Board are subject to recommendations from the Nomination Committee of the Company, after having reviewed and assessed their suitability by reference to the board diversity policy and the nomination policy adopted by the Company.

Independence of the Independent Non-executive Directors

In compliance with Rule 3.10(1) of the Listing Rules, the Company has appointed three Independent Non-executive Directors. The Board considers that all Independent Non-executive Directors have appropriate and sufficient experiences and qualifications to carry out their duties so as to protect the interests of the Shareholders.

The Company has received a written annual confirmation from each of Independent Non-executive Directors of his independence pursuant to the requirements of the Listing Rules. The Board considers all Independent Non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

Induction and Continuous Professional Development

Pursuant to the code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Pursuant to the code provision A.6.1 of the CG Code, each newly appointed Director should be provided with necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under relevant statues, laws, rules and regulations.

During the year ended 31 August 2021, each of the Directors attended the training courses conducted by the legal adviser of the Company covering a wide range of topics including but not limited to directors' duties and responsibilities, corporate governance and on-going obligations of a listed company.

The Directors are continually updated on the latest development regarding the Listing Rules and relevant statutory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices. All Directors are encouraged to participate in continuous professional development courses and seminars to develop and refresh their knowledge and skills.

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct for the Directors in their dealing in the Company's securities transactions. Having made specific enquiry to all the Directors, each of the Directors confirmed that he/she had complied with the Model Code since the Listing Date and up to 31 August 2021.

Directors' and Officers' Liability Insurance and Indemnity

The Company has arranged appropriate liability insurance, which is currently in force at the date of this annual report, to indemnify its Directors and senior management from liabilities arising from, including but not limited to, any proceedings brought against them during the performance of their duties.

Procedure for Seeking Independent Professional Advice

The Directors are able, upon reasonable request, to seek professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the Directors to assist the relevant Directors to discharge their duties.

BOARD COMMITTEES

Audit Committee

The Company has established the Audit Committee with specific written terms of reference in compliance with the CG Code. Since the Listing Date and up to the date of this annual report, the Audit Committee comprises three members, namely Mr. Yau Wai Man, Philip, Mr. Zan Zhihong and Mr. Hu Yuting. The chairman of the Audit Committee is Mr. Yau Wai Man, Philip and all members are Independent Non-executive Directors.

The main duties of the Audit Committee include the following:

i. to be primarily responsible for making recommendations to the Board on the remuneration, appointment, re-appointment and removal of the external auditor;

ii. to discuss with the external auditor the nature and scope of the audit and reporting obligations;

iii. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

iv. to review the Company and its subsidiaries' financial and accounting policies and practices;

v. to monitor the integrity of the Company's financial statements, annual reports and interim reports and to review significant financial reporting judgments contained in them;

vi. to review the Company's financial controls, risk management and internal control systems;

vii. to review the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

viii. where an internal audit function exists, to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness; and

ix. to review continuing connected transactions of the Company and ensure compliance with the Listing Rules.

The Audit Committee shall meet at least twice a year. Due to the fact that the Company was listed on 16 July 2021, no Audit Committee meeting was held during the period from the Listing Date and up to 31 August 2021.

Auditor's Remuneration

Ernst & Young, Certified Public Accountants, acting as the Company's external auditor provided the annual audit services for the year ended 31 August 2021. For the year ended 31 August 2021, the remuneration paid or payable to Ernst & Young in respect of audit and non-audit services provided is set out below:

Services Rendered	Remuneration Paid/Payable RMB'000
Audit services	
– reporting accountants' services in relation to the Listing	3,053
– annual audit services	2,000
Non-audit services	–
Total	5,053

The Audit Committee has expressed its views to the Board that the level of fees paid/payable to the Company's external auditor for annual audit services is reasonable. There has been no major disagreement between the external auditor and the management of the Company for the year ended 31 August 2021.

Remuneration Committee

The Company has established the Remuneration Committee with specific written terms of reference in compliance with the CG Code. Since the Listing Date and up to the date of this annual report, the Remuneration Committee comprises three members, namely Mr. Hu Yuting, Mr. Yau Wai Man, Philip and Mr. Niu Jian. The chairman of the Remuneration Committee is Mr. Hu Yuting and majority of members are Independent Non-executive Directors.

The Remuneration Committee is to make recommendations to the Board on the remuneration packages of individual Executive Director and the senior management.

The principal duties of the Remuneration Committee include the followings:

i. to make recommendations to the Board on the Company's policy and structure for the remuneration of all the Directors and senior management;

ii. to review and approve the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time;

iii. to make recommendations to the Board on the remuneration packages of individual Executive Director and senior management;

iv. to make recommendations to the Board on the remuneration of Independent Non-executive Directors; and

v. to advise Shareholders, if necessary, on how to vote in respect of any service contracts of Directors that requires Shareholders' approval in accordance with the Listing Rules.

The Remuneration Committee shall meet at least once every year. Due to the fact that the Company was listed on 16 July 2021, no Remuneration Committee meeting was held during the period from the Listing Date and up to 31 August 2021.

Details of the remuneration by band of the members of the senior management (excluding four Executive Directors) of the Company for the year ended 31 August 2021 are set out below:

Remuneration band	Number of employee
Nil to RMB1,000,000	2

Details of the Directors' remuneration for the year ended 31 August 2021 are set out in the note 7 to the consolidated financial statements.

Nomination Committee

The Company has established the Nomination Committee with specific written terms of reference in compliance with the CG Code. Since the Listing Date and up to the date of this annual report, the Nomination Committee comprises three members, namely Mr. Niu Sanping, Mr. Zan Zhihong and Mr. Hu Yuting. The chairman of the Nomination Committee is Mr. Niu Sanping and majority of members are Independent Non-executive Directors.

The principal duties of the Nomination Committee include the followings:

i. to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board;

ii. to develop the criteria for identifying and assessing the qualification of and evaluating candidates for directorship;

iii. to identify individuals who are suitable to become a member of the Board and to make recommendations to the Board on the selection of individuals nominated for directorships;

iv. to assess the independence of Independent Non-executive Directors;

v. to make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors; and

vi. to review the board diversity policy and the nomination policy.

The Nomination Committee shall meet at least once every year. Due to the fact that the Company was listed on 16 July 2021, no Nomination Committee meeting was held during the period from the Listing Date and up to 31 August 2021.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Company provides monthly updates on the business performance with explanatory information to the Directors for them to understand the position, development and prospects of the Group.

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirements under the Listing Rules. The Directors also acknowledge their responsibilities to ensure that the consolidated financial statements of the Group are published in a timely manner as required by the Listing Rules.

The statement by the external auditor of the Company about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report in this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for overseeing the Company's risk management and internal control systems and reviewing its effectiveness on an ongoing basis. The Group's risk management and internal control systems are designed to manage rather than eliminate business risk and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board also appointed Mr. Zhang Zhiwei as the risk management controller of our Group, responsible for daily management and monitor of daily operation risks and execution of significant business decision involving material risk exposures.

During the period from the Listing Date to the date of this report, the Group entered into three structured deposit agreements on 10 August 2021, 17 September 2021 and 11 November 2021 to subscribe for structured deposit products with a principal amount of RMB400,000,000, RMB140,000,000 and RMB400,000,000 respectively. Pursuant to Rule 14.34 of the Listing Rules, after the terms of a major transaction have been finalized, the Company must publish an announcement as soon as possible. As the structured deposit agreement was principal-protected with low risk in nature, the responsible staff of the Company, in good faith, believed that they were equivalent to fixed deposits with banks. Therefore, the Company did not publish an announcement in a timely manner. Upon the discovery of this matter, the Company promptly took remedial actions to make the required announcements on 7 December 2021 and 15 December 2021 on its initiative. For further details of which, please refer to the announcements of the Company dated 7 December 2021 and 15 December 2021.

The annual review by the Board, through the Audit Committee, for the year ended 31 August 2021 in respect of among others (i) adequacy of resources; (ii) staff qualifications and experience; (iii) training programs for the staff; and (iv) budget of the Group's accounting, internal audit and financial reporting functions had been considered. Although the risk management and internal control systems of the Group in relation to the structured deposit agreements might have deficiency, the Board considers that effective and adequate risk management and internal control systems in other aspects are in place to safeguard the assets of the Group. A review of the effectiveness of the Group's risk management and internal control systems, including financial, operation and compliance controls, will be conducted by the Board at least annually.

DISSEMINATION OF INSIDE INFORMATION

The Group has in place a framework for the disclosure of inside information by reference to the Guidelines on Disclosure of Inside Information issued by the Securities and Future Commission. The framework sets out the procedures and internal controls for the handling and dissemination of inside information in an appropriate and timely manner, such as steps to ascertain sufficient details, conduct internal assessment of the matter and its likely impact on the Company, seek professional advice where required and verification of the facts. Before the information is fully disclosed to the public, any persons who possess the knowledge of such information must ensure strict confidentiality and must not deal in any of the Company's securities.

DIVIDEND POLICY

The determination to pay dividends will be made at the discretion of the Board, depending on the Company's results of operations, capital requirements and surplus, general financial condition, contractual restrictions, future prospects, and, as well as any other factors of which the Board may consider relevant. Dividends may be paid only out of distributable profits as permitted under the relevant laws. Any final dividend distribution shall also be subject to the approval of the Shareholders in a Shareholders' meeting.

COMPANY SECRETARY

The Company has appointed Mr. Zhang Senquan as the company secretary of the Company (the "**Company Secretary**"). Mr. Zhang Senquan currently serves as the chief executive officer of Zhong Rui Capital (Hong Kong) Limited, a corporate service provider, and is a member of each of Hong Kong Institute of Certified Public Accountants, China Institute of Certified Public Accountants and American Institute of Certified Public Accountants. His biography is set out in the "Directors and Senior Management" section of this annual report.

Although Mr. Zhang Senquan is not an employee of the Company, his primary contact of the Company is Mr. Niu Jian, the Chief Executive Officer and an Executive Director. He reports to the Board and in his capacity as the Company Secretary advises the Board on governance matters. In compliance with Rule 3.29 of the Listing Rules, Mr. Zhang Senquan attained not less than 15 hours of relevant professional training during the year ended 31 August 2021.

GENERAL MEETING

The Company became listed on 16 July 2021. No general meeting was held after the Listing up to the date of this annual report.

CHANGE IN CONSTITUTIONAL DOCUMENTS

For the Listing, the Articles of Association has been amended and restated with effect from the Listing Date and are available on the respective websites of the Stock Exchange and the Company.

Save as disclosed above, the Company did not make any change to its constitutional documents during the year ended 31 August 2021.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

The general meetings provide opportunities for Shareholders to communicate directly with the Directors. The chairman of the Board, and the chairmen of the Board Committees will attend the annual general meeting of the Company to answer Shareholders' questions. The Company recognizes the importance of maintaining on-going communications with the Shareholders and encourages them to attend the general meetings to stay informed of the Group's businesses and convey any concerns they may have to the Directors and senior management.

The Company maintains a website at http://chinageg.cn where extensive information and updates on the Company's financial information, corporate governance practices and other useful information are posted and available for access by public investors.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each substantially different issue at Shareholder meetings, including nomination and election or re-election of individual Directors.

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

Procedures for Shareholders to convene an extraordinary general meeting

In accordance with Article 58 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward proposals at general meeting

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Companies Law of the Cayman Islands. However, Shareholders who wish to propose resolutions may follow Article 58 of the Articles of Association for requisitioning an extraordinary general meeting and including a resolution at such meeting. The requirements and procedures of Article 58 are set out above.

In respect of proposing a person for election as a Director at general meetings, the period during which a written notice of intention to propose a person for election as a Director and a written notice by that person of his willingness to be elected together with the candidate's information as required to be disclosed under the Listing Rules are to be given to the Company's headquarters or its Hong Kong branch share registrar and transfer office shall be at least 7 days, such period shall commence on the day after the date when the notice of the general meeting convened for such election is dispatched and end no later than 7 days prior to the date of such meeting.

Procedures for putting enquiries to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the Company Secretary by mail to the principal office of the Company in Hong Kong. The Company Secretary shall forward communications relating to matters within the Board's purview to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and complaints, to the Chief Executive Officer.

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of China General Education Group Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 60 to 116, which comprise the consolidated statement of financial position as at 31 August 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Income tax	
As disclosed in note 9 to the financial statements, according to the Implementation Rules for the Law for Promoting Private Education (the "**Implementation Rules**"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatments. The Implementation Rules provide that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. Up to 31 August 2021, no separate policies, regulations or rules have been introduced by the authorities in this regard. No corporate income tax was provided on the income from the provision of formal educational services by the Group's college in the People's Republic of China. In accordance with the historical tax returns filed to the relevant tax authorities and the tax compliance verbal confirmations obtained therefrom, the Group's college did not pay corporate income tax for the income from formal educational services and had enjoyed the preferential tax treatment since its establishment. As a result, no income tax expense was recognised for the income from the provision of formal educational services during the year. There were significant judgements involved in management's analysis and assessment, such as the assessment on the possible outcome of the tax provision based on historical experiences and interpretation of the relevant tax laws and regulations in respect of the preferential tax treatment enjoyed by the Group's college. Relevant disclosures are included in notes 3 and 9 to the consolidated financial statements.	The audit procedures included the following: (i) Discussed with management to evaluate their interpretation of the tax laws and their assessment of the tax obligations and the application of preferential tax or applicable tax rate to college operated by the Group for the current year; (ii) Examined the historical tax filing returns filed to the relevant tax authorities; (iii) Assessed any new policies, regulations or rules that have been introduced by the authorities, which might have an impact on the tax position taken by the Group up to the date of this report; and (iv) Involved our internal tax specialists to assist us in assessing the uncertainties arising from the preferential tax treatment enjoyed by the Group's college.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is M.L. Chau.

Ernst & Young
Certified Public Accountants
Hong Kong
29 November 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 August 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	**289,262**	271,083
Cost of sales		**(117,335)**	(107,147)
Gross profit		**171,927**	163,936
Other income and gains	5	**20,209**	18,967
Selling expenses		**(292)**	(277)
Administrative expenses		**(61,466)**	(39,782)
Other expenses		**(619)**	(109)
PROFIT BEFORE TAX	6	**129,759**	142,735
Income tax expense	9	**–**	–
PROFIT FOR THE YEAR		**129,759**	142,735
Attributable to:			
Owners of the Company		**129,759**	142,761
Non-controlling interests		**–**	(26)
		129,759	142,735
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic and diluted			
—For profit for the year		**RMB0.33**	RMB0.38
PROFIT FOR THE YEAR		**129,759**	142,735
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		**(1,783)**	–
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(1,783)**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(1,783)**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**127,976**	142,735
Attributable to:			
Owners of the Company		**127,976**	142,761
Non-controlling interests		**–**	(26)
		127,976	142,735

Consolidated Statement of Financial Position

As at 31 August 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**648,142**	649,760
Right-of-use assets	13	**87,479**	89,799
Other intangible assets	14	**2,316**	4,395
Other non-current assets	15	**57,248**	7,771
Total non-current assets		**795,185**	751,725
CURRENT ASSETS			
Trade receivables	16	**18**	94
Prepayments, other receivables and other assets	17	**22,330**	19,654
Financial assets at fair value through profit or loss	18	**473,161**	311,657
Cash and cash equivalents	19	**594,687**	89,127
Total current assets		**1,090,196**	420,532
CURRENT LIABILITIES			
Contract liabilities	21	**194,017**	2,508
Other payables and accruals	20	**108,298**	95,047
Amount due to a director	27	**241**	–
Amounts due to related parties	27	**2**	5,501
Deferred income	22	**8,702**	–
Total current liabilities		**311,260**	103,056
NET CURRENT ASSETS		**778,936**	317,476
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,574,121**	1,069,201
Net assets		**1,574,121**	1,069,201
EQUITY			
Equity attributable to owners of the Company			
Share capital	23	**33**	–
Reserves	24	**1,574,088**	1,069,243
Non-controlling interests		**–**	(42)
Total equity		**1,574,121**	1,069,201

Niu Sanping
Director

Niu Jian
Director

Consolidated Statement of Changes in Equity

For the year ended 31 August 2021

	Attributable to owners of the Company						
	Share capital RMB'000 Note 23	Capital reserve* RMB'000 Note 24(b)	Statutory surplus reserves* RMB'000 Note 24(c)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 September 2019	–	72,778	212,678	630,526	915,982	(16)	915,966
Profit and total comprehensive income for the year	–	–	–	142,761	142,761	(26)	142,735
Capital contribution from the then equity holders of subsidiaries	–	10,500	–	–	10,500	–	10,500
Appropriations to statutory surplus reserves	–	–	35,748	(35,748)	–	–	–
As at 31 August 2020	–	83,278	248,426	737,539	1,069,243	(42)	1,069,201

Consolidated Statement of Changes in Equity

For the year ended 31 August 2021

	Attributable to owners of the Company									
	Share capital RMB'000 Note 23	Share premium* RMB'000 Note 24(a)	Capital reserve* RMB'000 Note 24(b)	Statutory surplus reserves* RMB'000 Note 24(c)	Other reserve* RMB'000 Note 24(d)	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 September 2020	–	–	83,278	248,426	–	–	737,539	1,069,243	(42)	1,069,201
Profit for the year	–	–	–	–	–	–	129,759	129,759	–	129,759
Other comprehensive loss for the year										
Exchange differences on translation of financial statements	–	–	–	–	–	(1,783)	–	(1,783)	–	(1,783)
Total comprehensive income for the year	–	–	83,278	248,426	–	(1,783)	867,298	1,197,219	(42)	1,197,177
Capitalisation issue of shares	25	(25)	–	–	–	–	–	–	–	–
Issuance of shares for the Initial Public Offering ("**IPO**")	8	384,206	–	–	–	–	–	384,214	–	384,214
Exercise of over-allotment option	–	16,927	–	–	–	–	–	16,927	–	16,927
Share issue expenses	–	(24,197)	–	–	–	–	–	(24,197)	–	(24,197)
Deemed acquisition of non-controlling interests	–	–	–	–	(42)	–	–	(42)	42	–
Transfer from retained profits to capital reserve	–	–	7,222	–	–	–	(7,222)	–	–	–
Appropriations to statutory surplus reserves	–	–	–	35,645	–	–	(35,645)	–	–	–
As at 31 August 2021	**33**	**376,911**	**90,500**	**284,071**	**(42)**	**(1,783)**	**824,431**	**1,574,121**	**-**	**1,574,121**

* These reserve accounts comprise the consolidated reserves of RMB1,574,088,000 in the consolidated statement of financial position as at 31 August 2021 (2020: RMB1,069,243,000).

Consolidated Statement of Cash Flows

For the year ended 31 August 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**129,759**	142,735
Adjustments for:			
Bank interest income	5	**(799)**	(347)
Interest income from financial products	5	**(11,402)**	(9,627)
Loss on disposal of items of property, plant and equipment, net	6	**175**	69
Fair value gains on financial assets at fair value through profit or loss	6	**(3,381)**	(1,657)
Depreciation of property, plant and equipment	6	**35,017**	36,574
Depreciation of right-of-use assets	6	**2,320**	2,275
Amortisation of other intangible assets	6	**1,448**	1,328
Decrease in trade receivables		**76**	21
(Increase)/decrease in prepayments, other receivables and other assets		**(13,984)**	17,671
Increase/(decrease) in contract liabilities		**191,509**	(200,973)
Increase/(decrease) in other payables and accruals		**16,671**	(14,064)
Increase in amount due to a director		**241**	–
(Decrease)/increase in amounts due to related parties		**(5,499)**	209
Increase in deferred income		**8,702**	–
Cash generated from/(used in) operations		**350,853**	(25,786)
Interest received		**545**	347
Income tax paid		**–**	–
Net cash flows from/(used in) operating activities		**351,398**	(25,439)

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**11,780**	11,438
Receipt of prepayments, other receivables and other assets	17	**8,297**	–
Acquisition of rights-of-use assets		**–**	(2,636)
Additions to other intangible assets		**(813)**	(2,071)
Purchases of items of property, plant and equipment		**(46,271)**	(34,288)
Receipt of government grants for equipment and other intangible assets		**6,514**	500
Prepayments for purchase and construction of property, plant and equipment		**(49,477)**	–
Proceeds from sale of financial products		**–**	200,000
Purchases of financial assets at fair value through profit or loss		**(2,349,779)**	(1,540,000)
Proceeds from sale of financial assets at fair value through profit or loss		**2,191,657**	1,260,000
Repayment from a related party		**–**	1,481
Net cash flows used in investing activities		**(228,092)**	(105,576)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from the then equity holders of subsidiaries		**–**	10,500
Repayment to directors	27	**–**	(2,184)
Proceeds from issue of shares		**401,141**	–
Share issue expenses		**(17,104)**	–
Net cash flows from financing activities		**384,037**	8,316
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**507,343**	(122,699)
Cash and cash equivalents at beginning of year		**89,127**	211,826
Effect of foreign exchange rate changes, net		**(1,783)**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	19	**594,687**	89,127
Cash and cash equivalents as stated in the consolidated statement of financial position and as stated in the consolidated statement of cash flows	19	**594,687**	89,127

1. CORPORATE AND GROUP INFORMATION

China General Education Group Limited (the "**Company**") was incorporated in the Cayman Islands on 14 September 2018 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The registered office address of the Company is 3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, Cayman Islands.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 July 2021.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the "**Group**") were principally engaged in the provision of higher education services in the People's Republic of China (the "**PRC**"). There has been no significant change in the Group's principal activities during the year.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Niusanping Limited, which is incorporated in the British Virgin Islands.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
China General Education Group (Hong Kong) Limited	Hong Kong 7 November 2018	HK$1	100%	–	Investment holding
General Business University of California Incorporated	California 22 October 2020	US$10,000	–	100%	Provision of higher education services
Shanxi Tongshi Tiancai Educational Technology Co., Ltd ("**Shanxi WFOE**")*^ 山西通實天才教育科技有限公司	The PRC 24 June 2019	RMB200,000,000	–	100%	Provision of education management and services
Shanxi Tongcai Educational Technology Company Limited*^ 山西通才教育科技有限公司	The PRC 17 May 2018	RMB50,000,000	–	100%	Investment holding
Shanxi Technology and Business College*^ 山西工商學院	The PRC 22 August 2006	RMB80,000,000	–	100%	Provision of higher education services

* These entities are owned through contractual arrangements.

^ The English names of the companies or the school established in the PRC represent the best efforts made by the management of the Company to directly translate the Chinese names as they do not register any official English names.

2.1 BASIS OF PREPARATION

The Company became the holding company of the Group since November 2020 as a result of the reorganisation as described in the paragraph headed "History and Corporate Structure – Corporate Reorganisation" to the Prospectus dated 30 June 2021 (the "**Reorganisation**"). The entities now comprising the Group were under common control before and after the Reorganisation. Accordingly, for the purpose of this report, the consolidated financial statements have been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the year ended 31 August 2020.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance.

They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

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

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any significant impact on the financial position and performance of the Group.

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

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*[3]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[4]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[3]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[4]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[3]
Amendments to IAS 1	*Disclosure of Accounting Policies*[4]
Amendments to IAS 8	*Definition of Accounting Estimates*[4]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[3]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 April 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs *(continued)*

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs *(continued)*

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

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

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

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

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

- IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

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

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

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

Property and buildings	2%
Electronic devices	10%-17%
Furniture and fixtures	10%-20%
Motor vehicles	10%
Others	33%-50%

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

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

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	50 years

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Group as a lessee *(continued)*

(b) Lease liabilities

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

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

Group as a lessor

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

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

(b) Financial assets at fair value through profit or loss

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

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

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

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

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

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

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach

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

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

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

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

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

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

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

Simplified approach

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include other payables and accruals, an amount due to a director and amounts due to related parties.

Subsequent measurement

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

Financial liabilities at amortised cost

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

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

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

Income tax

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

Government grants

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

Where the grant relates to an asset, the fair value is deducted from the carrying amount of the asset and released to the statement of profit or loss and other comprehensive income by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised to depict the transfer of promised services to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

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

* Step 1: Identify the contract(s) with a customer

* Step 2: Identify the performance obligations in the contract

* Step 3: Determine the transaction price

* Step 4: Allocate the transaction price to the performance obligations in the contract

* Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

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

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

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

Other income

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

Examination and training income is recognised proportionately over the periods of the applicable programme.

Contract liabilities

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

Employee benefits

Pension scheme

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

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

Foreign currencies

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

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

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

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Contractual arrangements

The Group conducts the private higher education business through Shanxi General Education Technology Limited (the "**PRC Operating Entity**") in the PRC as PRC laws and regulations generally restrict foreign ownership in the private education industry in the PRC.

The Group exercises control over the PRC Operating Entity and enjoys all economic benefits of the PRC Operating Entity through the contractual arrangements.

The Group considers that it controls the PRC Operating Entity, notwithstanding the fact that it does not hold any direct equity interest in the PRC Operating Entity, as it has power over the financial and operating policies of the PRC Operating Entity and receives substantially all of the economic benefits from the business activities of the PRC Operating Entity through the contractual arrangements. Accordingly, the PRC Operating Entity has been accounted for as a subsidiary during the year.

Current and deferred tax

Significant judgement is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to corporate income tax. This assessment relies on estimates and assumptions based on past experiences and communication with relevant authorities and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such determination is made.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

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

Provision for expected credit losses on other receivables

The provision for receivables is made based on assessment of their recoverability and ageing analysis of receivables as well as other quantitative and qualitative information and on management's judgement and assessment of the forward-looking information.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of debtors' actual default in the future. Further details of the carrying amounts of other receivables are disclosed in note 17 to the financial statements.

Fair value measurement of financial assets at fair value through profit or loss

The fair value measurement of financial assets at fair value through profit or loss that are categorised within Level 2 and Level 3 of the fair value hierarchy requires significant estimates, which include estimating the future cash flows, determining appropriate discount rates and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these investments. The Group monitors its investments for their fair value assessment by considering factors including, but not limited to, current economic and market conditions. Further details are disclosed in note 29 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of higher education services in Mainland China.

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

Geographical information

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

Information about major customers

No services provided to a single customer amounted to 10% or more of the total revenue of the Group during the year.

5. REVENUE, OTHER INCOME AND GAINS

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

	2021 RMB'000	2020 RMB'000
Revenue		
Tuition fees	264,249	255,176
Boarding fees	25,013	15,907
Total revenue from contracts with customers	289,262	271,083
Other income and gains		
Bank interest income	799	347
Interest income from financial products	11,402	9,627
Examination and training income	1,282	1,746
Fair value gains on financial assets at fair value through profit or loss	3,381	1,657
Others	3,345	5,590
	20,209	18,967

Revenue from contracts with customers

(a) Disaggregated revenue information

	2021 RMB'000	2020 RMB'000
Timing of revenue recognition		
Tuition fees recognised over time	264,249	255,176
Boarding fees recognised over time	25,013	15,907
	289,262	271,083

The Group's contracts with students for college education programmes and boarding services can be terminated anytime without compensation. Tuition and boarding fees are determined and paid by the students before the start of each academic year.

(b) Performance obligations

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

6. PROFIT BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Employee benefit expense (excluding directors' and chief executive's remuneration (Note 7)):			
Wages and salaries		**62,765**	57,863
Pension scheme contributions (defined contribution scheme)		**13,160**	11,524
Depreciation of property, plant and equipment	12	**35,017**	36,574
Depreciation of right-of-use assets	13	**2,320**	2,275
Amortisation of other intangible assets	14	**1,448**	1,328
Auditor's remuneration		**2,010**	20
Fair value gains on financial assets at fair value through profit or loss	5	**(3,381)**	(1,657)
Loss on disposal of items of property, plant and equipment, net	(a)	**175**	69
Donation expenses	(a)	**100**	–
Listing expenses	(b)	**20,094**	3,948
Government grants – related to income	(c)	**(918)**	–

Note (a) Loss on disposal of items of property, plant and equipment and donation expenses are included in other expenses in the consolidated statement of profit or loss and other comprehensive income.

Note (b) Listing expenses are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Note (c) Various government grants have been received for certain teaching and research activities. The government grants received have been deducted from cost of sales in the consolidated statement of profit or loss and other comprehensive income when they relate to income and from property, plant and equipment and other intangible assets in the consolidated statement of financial position when they relate to assets. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2021 RMB'000	2020 RMB'000
Fees	**49**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**2,332**	1,592
Performance related bonuses	**–**	–
Pension scheme contributions	**141**	141
Total	**2,522**	1,733

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(a) Independent non-executive directors

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

	2021 RMB'000	2020 RMB'000
Independent non-executive directors		
Mr. Yau Wai Man Philip	25	–
Mr. Hu Yuting	12	–
Mr. Zan Zhihong	12	–
	49	–

There were no fees or other emoluments payable to the independent non-executive directors during the year.

(b) Executive directors

Year ended 31 August 2021

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
– Mr. Niu Sanping	–	1,540	–	–	1,540
– Mr. Niu Jian	–	441	–	44	485
– Ms. Zhang Zhonghua	–	199	–	59	258
– Mr. Niu Xiaojun	–	152	–	38	190
	–	2,332	–	141	2,473

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors *(continued)*

Year ended 31 August 2020

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Executive directors:					
– Mr. Niu Sanping	–	1,207	–	–	1,207
– Mr. Niu Jian	–	118	–	43	161
– Ms. Zhang Zhonghua	–	165	–	59	224
– Mr. Niu Xiaojun	–	102	–	39	141
	–	1,592	–	141	1,733

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 August 2021 included 3 directors (2020: 2), details of whose remuneration are set out in note 7 above. Details of the remuneration for the years of the remaining 2 (2020: 3) highest paid employees who are neither a director nor chief executive of the Company, are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	**341**	468
Pension scheme contributions	**88**	93
	429	561

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2021	2020
Nil to HK$1,000,000	**2**	3

9. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

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

China General Education Group (Hong Kong) Limited was subject to profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the financing authority, taxation authority and other authorities under the State Council. During the year and up to the date of this report, Shanxi Technology and Business College has historically enjoyed the preferential tax treatment since their establishment. As a result, no income tax expense was recognised by Shanxi Technology and Business College for the income from the provision of formal educational services during the year.

The Group's non-school subsidiaries established in Mainland China were subject to PRC corporate income tax at the rate of 25% during the year.

Corporate income tax of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during the year.

The major components of income tax expense of the Group are as follows:

	2021 **RMB'000**	2020 RMB'000
Current tax		
Charge for the year	**–**	–
Total tax charge for the year	**–**	–

9. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	2021	2020
	RMB'000	RMB'000
Profit before tax	**129,759**	142,735
Tax at the statutory tax rate	**33,363**	35,682
Expense not deductible for tax	**6,216**	774
Income not subject to tax	**(39,855)**	(36,522)
Tax losses not recognised	**276**	66
Tax charge at the Group's effective rate	**–**	–

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 August 2021 and 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, the Group's earnings will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 31 August 2021 and 2020, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB845,086,000 and RMB737,851,000, respectively.

As at 31 August 2021, the Group had tax losses arising in Mainland China of RMB1,410,000 (2020: RMB308,000), which will expire in three to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that the taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

10. DIVIDENDS

No dividend has been paid or declared by the Company in the current year (2020: nil).

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 391,413,306 (2020: 375,000,000) in issue during the year, as adjusted for the assumption that 374,999,800 new shares issued pursuant to the Capitalisation Issue (as defined below) had been issued on 1 September 2019, which is made to be consistent with the basis of presentation of the financial statements for the year ended 31 August 2020.

On 16 July 2021, the Company was listed on the Stock Exchange by way of issuing 125,000,000 new ordinary shares and capitalisation issue of 374,999,800 ordinary shares (the "**Capitalisation Issue**") (note 23). On 11 August 2021, the over-allotment option was partially exercised and the Company allotted and issued 5,517,000 additional shares (note 23).

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 August 2021 and 2020.

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

	2021	2020
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	**129,759**	142,761

	Number of shares	
	2021	2020
Shares		
Issued shares on 1 September 2020 and 2019	**200**	200
Effect of Capitalisation Issue on 16 July 2021	**374,999,800**	374,999,800
Effect of the IPO (excluding shares issued under the over-allotment option) on 16 July 2021	**16,095,890**	–
Effect of the over-allotment option on 11 August 2021	**317,416**	–
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	**391,413,306**	375,000,000

12. PROPERTY, PLANT AND EQUIPMENT

	Property and buildings RMB'000	Electronic devices RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
31 August 2021							
At 1 September 2020:							
Cost	690,853	110,071	61,502	7,303	26,298	4,785	900,812
Accumulated depreciation	(111,251)	(73,560)	(42,404)	(4,814)	(19,023)	–	(251,052)
Net carrying amount	579,602	36,511	19,098	2,489	7,275	4,785	649,760
At 1 September 2020, net of accumulated depreciation	579,602	36,511	19,098	2,489	7,275	4,785	649,760
Additions	4,400	7,905	1,896	–	3,281	21,162	38,644
Government grants (note 22)	(1,601)	(2,548)	(726)	–	(195)	–	(5,070)
Transfers	165	–	–	–	–	(165)	–
Disposal	(1)	(85)	(89)	–	–	–	(175)
Depreciation provided during the year (note 6)	(15,215)	(9,230)	(4,402)	(637)	(5,533)	–	(35,017)
At 31 August 2021, net of accumulated depreciation	567,350	32,553	15,777	1,852	4,828	25,782	648,142
At 31 August 2021:							
Cost	693,817	115,118	62,365	7,303	29,384	25,782	933,769
Accumulated depreciation	(126,467)	(82,565)	(46,588)	(5,451)	(24,556)	–	(285,627)
Net carrying amount	567,350	32,553	15,777	1,852	4,828	25,782	648,142

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Property and buildings RMB'000	Electronic devices RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
31 August 2020							
At 1 September 2019:							
Cost	676,538	103,649	57,940	7,303	22,346	800	868,576
Accumulated depreciation	(96,074)	(64,215)	(38,172)	(4,167)	(11,923)	–	(214,551)
Net carrying amount	580,464	39,434	19,768	3,136	10,423	800	654,025
At 1 September 2019, net of accumulated depreciation	580,464	39,434	19,768	3,136	10,423	800	654,025
Additions	–	6,543	3,582	–	–	22,253	32,378
Transfers	14,316	–	–	–	3,952	(18,268)	–
Disposal	–	(64)	(5)	–	–	–	(69)
Depreciation provided during the year (note 6)	(15,178)	(9,402)	(4,247)	(647)	(7,100)	–	(36,574)
At 31 August 2020, net of accumulated depreciation	579,602	36,511	19,098	2,489	7,275	4,785	649,760
At 31 August 2020:							
Cost	690,853	110,071	61,502	7,303	26,298	4,785	900,812
Accumulated depreciation	(111,251)	(73,560)	(42,404)	(4,814)	(19,023)	–	(251,052)
Net carrying amount	579,602	36,511	19,098	2,489	7,275	4,785	649,760

The Group's buildings are situated in Mainland China.

As at 31 August 2021, certificates of ownership in respect of certain buildings of the Group located in Taiyuan city, the PRC, with a total net carrying amount of approximately RMB392,637,000 (2020: RMB419,872,000), have not yet been issued by the relevant PRC authorities. As at 31 August 2021, the Group was still in the process of obtaining these certificates.

13. LEASES

The Group as a lessee

The Group has lease contracts for land use rights used in its operation. Lump sum payments were made upfront to acquire the land use rights with the lease periods of 50 years from the owners, and no ongoing payments will be made under the terms of the land lease.

Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Note	2021 RMB'000	2020 RMB'000
Carrying amount at beginning of year		**89,799**	89,438
Additions		**–**	2,636
Depreciation provided during the year	6	**(2,320)**	(2,275)
Carrying amount at end of year, net of accumulated depreciation		**87,479**	89,799
At end of year:			
Cost		**105,342**	105,342
Accumulated depreciation		**(17,863)**	(15,543)
Net carrying amount		**87,479**	89,799

As at 31 August 2021, the Group was in the process of applying for land use rights certificates for leased land with aggregate net carrying amounts of RMB30,360,000 (2020: RMB31,289,000), for which the Group had not obtained the land use rights certificates. The Group expects to obtain the land use rights certificates by the first quarter of 2022.

The Group as a lessor

The Group leases certain of its items of property, plant and equipment with terms ranging from one to five years which are cancellable with three months' notice.

As at 31 August 2021 and 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	**403**	867

14. OTHER INTANGIBLE ASSETS

	Note	2021 RMB'000	2020 RMB'000
Software			
Carrying amount at beginning of year		**4,395**	4,152
Additions		**813**	2,071
Government grants (note 22)		**(1,444)**	(500)
Amortisation provided during the year	6	**(1,448)**	(1,328)
Carrying amount at end of year, net of accumulated amortisation		**2,316**	4,395
At end of year:			
Cost		**10,059**	10,690
Accumulated amortisation		**(7,743)**	(6,295)
Net carrying amount		**2,316**	4,395

15. OTHER NON-CURRENT ASSETS

	2021 RMB'000	2020 RMB'000
Prepayments for acquisition of land use rights	**7,248**	7,248
Prepayments for purchase and construction of property, plant and equipment	**50,000**	523
	57,248	7,771

16. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Tuition fees receivable	**16**	88
Boarding fees receivable	**2**	6
	18	94

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming academic year, which normally commences in September. The outstanding receivables represent amounts due from students who have applied for deferred payments of tuition fees and boarding fees. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables were immaterial, there is no significant concentration of credit risk to the Group. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of provisions, is as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	**11**	69
1 to 2 years	**–**	18
2 to 3 years	**–**	7
3 to 4 years	**7**	–
	18	94

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group considers the historical default rate and days past due of the trade receivables in measuring the expected credit losses during the year.

Trade receivables as at the end of each reporting period were not past due and had no recent history of default. The expected credit losses were assessed to be minimal at the end of each reporting period.

17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021	2020
	RMB'000	RMB'000
Prepaid service expense	**8,185**	–
Prepaid listing expenses	**–**	3,265
Equity-transfer-fund receivable	**–**	8,297
Other receivables	**14,145**	8,092
	22,330	19,654
Impairment allowance	**–**	–
	22,330	19,654

These financial assets included in the above balances relate to receivables for which there was no recent history of default, and not past due at the end of the reporting period. During the year, the Group has assessed that the credit risk of these receivables has not increased significantly since initial recognition and measured the impairment based on 12-month expected credit losses and has assessed that the expected credit losses are immaterial.

The financial assets included in prepayments, other receivables and other assets above are interest-free and are not secured with collateral.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	RMB'000	RMB'000
Unlisted investments, at fair value	**473,161**	311,657

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

19. CASH AND CASH EQUIVALENTS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**418,453**	89,127
Time deposits	**176,234**	–
Cash and cash equivalents	**594,687**	89,127
Cash and cash equivalents denominated in:		
– RMB	**496,988**	89,127
– HK$	**97,699**	–

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to RMB496,988,000 (2020: RMB89,127,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods within three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. OTHER PAYABLES AND ACCRUALS

	Note	2021 RMB'000	2020 RMB'000
Payables for purchase and construction of property, plant and equipment		**25,104**	32,731
Payables for listing expenses		**17,433**	2,870
Miscellaneous fees received from students	(a)	**16,368**	9,133
Subsidies payable to students		**12,112**	9,439
Payables for logistics services and other services		**15,281**	17,872
Payables for salaries, social insurance and housing fund		**7,466**	10,518
Other tax payables		**4,102**	4,069
Other payables		**10,432**	8,415
		108,298	95,047

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

The above balances are unsecured and non-interest-bearing. The carrying amounts of other payables and accruals at the end of the years approximated to their fair values due to their short-term maturities.

21. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at the end of the reporting period, and are expected to be recognised within one year:

	2021 RMB'000	2020 RMB'000
Tuition fees	172,971	2,433
Boarding fees	21,046	75
Contract liabilities	194,017	2,508

The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the period of the applicable program. The students are entitled to the refund of payments in relation to the proportionate services not rendered.

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

	2021 RMB'000	2020 RMB'000
At the beginning of the year	2,508	203,481
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	(2,332)	(197,798)
Boarding fees reclassified to other payables	–	(5,455)
Increase due to cash received, net of the amounts recognised as revenue during the year	193,841	2,280
At the end of the year	194,017	2,508

22. DEFERRED INCOME

Deferred income represents the government grants received for subsidies in connection with the construction of certain fixed assets, other intangible assets and compensation for future cost or expense. The grants related to assets are released to profit or loss over the expected useful lives of the relevant assets.

23. SHARE CAPITAL

Shares

	2021 **RMB'000**	2020 RMB'000
Authorised:		
5,000,000,000 ordinary shares of US$0.00001 each as at 31 August 2021 (2020: 5,000,000,000 ordinary shares)	**342**	342
Issued and fully paid:		
505,517,000 ordinary shares as at 31 August 2021 (2020: 200 ordinary shares)	**33**	–

A summary of movements in the Company's share capital is as follows:

		Number of shares in issue	**Share capital** RMB'000
Before the Capitalisation Issue		200	–
Capitalisation Issue	(a)	374,999,800	25
Global offering (excluding shares issued under the over-allotment option)	(b)	125,000,000	8
Over-allotment	(c)	5,517,000	–
		505,517,000	33

(a) On 16 July 2021, a total of 374,999,800 shares were issued by way of capitalisation with a par value US$0.00001 each, and the respective share capital amount was approximately RMB25,000.

(b) On 16 July 2021, the Company was listed on the Stock Exchange and made an offering of 125,000,000 ordinary shares (excluding any ordinary shares issued pursuant to the exercise of the over-allotment option) at a price of HK$3.69 per share.

(c) On 11 August 2021, the over-allotment option was partially exercised and the Company allotted and issued 5,517,000 additional shares, representing approximately 1.09% of the total number of the offer shares initially available under the global offering, at HK$3.69 per share.

24. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of financial statements.

(a) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

(b) Capital reserve

The capital reserve of the Group represents the capital contribution from the then equity holders of the Group's subsidiaries in prior years and the additions during the year represent the amounts transfers from part of the retained profits to the share capital of Shanxi Technology and Business College.

(c) Statutory surplus reserves

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

(i) In accordance with the Company Law of the PRC, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserves may be converted to registered capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(ii) According to the relevant PRC laws and regulations, private schools that do not require reasonable returns are required to appropriate the development fund not less than 25% of the net increase in net assets of the relevant schools, as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

(d) Other reserve

Other reserve represents the proportionate share of subsidiaries now comprising the Group attributable to a party other than the controlling shareholder prior to the Reorganisation and was deemed to be acquired by the Company at nil consideration upon the Reorganisation.

25. COMMITMENTS

The Group had the following capital commitments at the end of each reporting period:

	2021	2020
	RMB'000	RMB'000
Contracted, but not provided for:		
Property	**195,262**	14,669
Teaching facilities	**11,607**	1,491
	206,869	16,160

26. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

Year ended 31 August 2021

	Note	**Amount due to a director RMB'000**
At 1 September 2020		**–**
Changes from financing cash flows		**–**
At 31 August 2021		**–**

Year ended 31 August 2020

	Note	**Amounts due to directors** RMB'000
At 1 September 2019		2,184
Changes from financing cash flows		(2,184)
At 31 August 2020	27	–

27. RELATED PARTY TRANSACTIONS

(a) Names and relationship

The directors of the Group are of the opinion that the following parties/companies are related parties that had transactions or balances with the Group during the year.

Name	Note	Relationship
Mr. Niu Sanping		Director of the Company
Mr. Niu Jian		Director of the Company/son of Mr. Niu Sanping
Niujian Limited		One of the shareholders of the Company
Niusanping Limited		One of the shareholders of the Company
Shanxi Tongcai Education Investment Co., Ltd. ("**Tongcai Investment**")	(i)	A company jointly owned by Mr. Niu Sanping, Mr. Niu Jian and an independent third party

(i) This company was jointly controlled by Mr. Niu Sanping and Mr. Niu Jian before 12 July 2021.

(b) Transactions with related parties

	Note	**2021** **RMB'000**	2020 RMB'000
Directors:			
Advance from directors		**241**	–
Repayment to directors		**–**	2,184
Other related parties:			
Purchases of services	(i)	**397**	2,268
Repayment from a related party		**–**	1,481
Others		**442**	1,767

(i) The purchases of services were charged based on the published prices and conditions offered by the related party to its major customers.

27. RELATED PARTY TRANSACTIONS *(continued)*

(c) Outstanding balances with related parties

As disclosed in the consolidated statement of financial position, the Group had outstanding balances due from/to related parties at 31 August 2021 and 2020.

Amount due to a director:

Name	2021 RMB'000	2020 RMB'000
Mr. Niu Jian	**241**	–
	241	–

Amounts due to related parties:

Name	2021 RMB'000	2020 RMB'000
Niusanping Limited	**2**	2
Tongcai Investment	**–**	5,496
Niujian Limited	**–**	3
	2	5,501

Except for the amounts due to Tongcai Investment, amounts due to a director and due to related parties were unsecured, interest-free, repayable on demand and non-trade in nature.

(d) Compensation of key management personnel of the Group

	2021 RMB'000	2020 RMB'000
Short term employee benefits	**2,332**	1,754
Pension scheme contributions	**141**	178
	2,473	1,932

Further details of directors' and the chief executive's emoluments are included in note 7 to the financial statements.

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each reporting period are as follows:

Financial assets at fair value

	2021 RMB'000	2020 RMB'000
Financial assets at fair value through profit or loss	**473,161**	311,657

Financial assets at amortised cost

	2021 RMB'000	2020 RMB'000
Trade receivables	**18**	94
Financial assets included in prepayments, other receivables and other assets	**14,145**	16,389
Cash and cash equivalents	**594,687**	89,127
	608,850	105,610

Financial liabilities at amortised cost

	2021 RMB'000	2020 RMB'000
Financial liabilities included in other payables and accruals	**92,443**	76,398
Amount due to a director	**241**	–
Amounts due to related parties	**2**	5,501
	92,686	81,899

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Financial assets at fair value

	Carrying amounts		Fair values	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets at fair value through profit or loss	**473,161**	311,657	**473,161**	311,657

Management has assessed that the fair values of cash and cash equivalents, time deposits, financial assets included in prepayments, other receivables and other assets, trade receivables, financial liabilities included in other payables and accruals, an amount due to a director and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The Group invests in unlisted investments, which represent wealth management and fund products. The Group has estimated the fair value of these unlisted investments by discounting the expected future cash flows using rates currently available for instruments with similar terms and risks, or by recent transaction approach.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 August 2021:

Description	**Valuation technique**	**Significant unobservable input**	**Sensitivity change in Significant unobservable input**
Unlisted funds	Recent Transaction	N/A	N/A

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 August 2021

	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	423,465	49,696	473,161

As at 31 August 2020

	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	311,657	–	311,657

The movements in fair value measurements within Level 3 during the year were as follows:

	2021 RMB'000	2020 RMB'000
As at 1 September	–	–
Total gains recognised in the statement of profit or loss and other comprehensive income included in other income	(83)	–
Purchase	49,779	–
As at 31 August	49,696	–

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operation. The Group has various other financial assets and liabilities such as an amount due to a director, amounts due to related parties, trade receivables, financial assets at fair value through profit or loss and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from the proceeds from IPO in HK$.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK$ and RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity:

	Increase/ (decrease) in HK$/ RMB rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2021			
If the Hong Kong dollar weakens against the RMB	5%	543	(21,930)
If the Hong Kong dollar strengthens against the RMB	5%	(543)	21,930

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging

The tables below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year/period-end staging classification as at 31 August 2020 and 2021.

The amounts presented are gross carrying amounts for financial assets.

As at 31 August 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	18	18
Financial assets included in prepayments, other receivables and other assets					
– Normal**	14,145	–	–	–	14,145
Cash and cash equivalents					
– not yet past due	594,687	–	–	–	594,687
	608,832	–	–	18	608,850

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging *(continued)*

As at 31 August 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	94	94
Financial assets included in prepayments, other receivables and other assets					
– Normal**	16,389	–	–	–	16,389
Cash and cash equivalents					
– not yet past due	89,127	–	–	–	89,127
	105,516	–	–	94	105,610

* The Group's trade receivables are due from a number of individual students. Credit quality of each student is assessed and outstanding receivables are regularly monitored. For trade receivables to which the Group applies the simplified approach for impairment, information about the expected credit losses is disclosed in note 16 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 16 to the financial statements.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., other receivables and other assets) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, is as follows:

As at 31 August 2021

	On demand RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	92,443	92,443
Amount due to a director	241	241
Amount due to a related party	2	2
	92,686	92,686

As at 31 August 2020

	On demand RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	76,398	76,398
Amounts due to related parties	5,501	5,501
	81,899	81,899

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year.

Capital of the Group includes equity attributable to owners of the Company. The Group monitors capital using a debt-to-asset ratio, which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of each reporting period were as follows:

	2021	2020
	RMB'000	RMB'000
Total liabilities	**311,260**	103,056
Total assets	**1,885,381**	1,172,257
Debt-to-asset ratios	**17%**	9%

31. EVENTS AFTER THE REPORTING PERIOD

There were no significant events taken place subsequent to 31 August 2021 and up to the date of approval of these financial statements.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	50,000	–
Total non-current assets	50,000	–
CURRENT ASSETS		
Prepayments, deposits and other receivables	8,439	–
Amount due from a related party	23	1
Financial assets at fair value through profit or loss	49,696	–
Cash and cash equivalents	273,941	–
Total current assets	332,099	1
CURRENT LIABILITIES		
Other payables and accruals	6,123	–
Amounts due to related parties	–	3
Total current liabilities	6,123	3
NET CURRENT ASSETS/(LIABILITIES)	325,976	(2)
TOTAL ASSETS LESS CURRENT LIABILITIES	375,976	(2)
Net assets/(liabilities)	375,976	(2)
EQUITY		
Share capital	33	–
Reserves (note)	375,943	(2)
Total equity	375,976	(2)

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 September 2020	–	–	(2)	(2)
Loss for the year	–	–	(10,842)	(10,842)
Other comprehensive loss for the year:				
Exchange differences on translation of financial statements	–	(1,783)	–	(1,783)
Total comprehensive loss for the year	–	(1,783)	(10,844)	(12,627)
Capitalisation Issue of shares	(25)	–	–	(25)
Issuance of shares for the IPO	384,206	–	–	384,206
Exercise of over-allotment option	16,927	–	–	16,927
Share issue expenses	(12,538)	–	–	(12,538)
At 31 August 2021	388,570	(1,783)	(10,844)	375,943

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 November 2021.