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China New Higher Education Group Limited

中國新高教集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2001)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 AUGUST 2021

The Board of Directors of China New Higher Education Group Limited is pleased to announce the annual results of the Group for the year ended 31 August 2021.

HIGHLIGHTS

- The Group focuses on building a high-quality education system, strengthens the positioning of vocational education and always adheres to “Student As The Center”, while continuously deepening the reform of talent cultivation, optimizing the discipline and professional structure, and firmly following the path of high-quality development.
- The average employment rate has climbed to 98% by the end of 2020, much higher than the average of the nationwide level, and the employment rate of each school received top ranking from all provinces. In 2021, the Group continued to increase investment in education, and the initial employment rate reached a record high.
- Focusing on the national development layout of the Three Major Industries of emerging industries, leading industries and special industries, the Group has conducted in-depth studies on the changing trend of regional industrial structure adjustment, deployed in the sunrise industries in advance and constructed five major groups led by information technology, high-end equipment manufacturing, medical health care and big health, digital finance, and cultural media industries groups, continuously optimizing the discipline and professional structure to build the core competitiveness of the schools.

- In response to the national call to accelerate the conversion of independent colleges, two independent colleges in Gansu and Hubei have successfully completed the conversion, and both schools had double-digit increase in total number of enrolled students in the academic year of 2021/22 compared to that prior to the conversion.
- The Group has cultivated more than 400,000 outstanding graduates and sent high-quality application-oriented talents with innovative spirit and practical ability, trustworthiness and social responsibility to the society.
- As of 9 November 2021, the Group's number of students enrolled was about 144,000. The Group's capacity for sustainable and high-quality development has been further enhanced, and its ability to serve the construction of a skill-based society has been further strengthened.
- The Group adheres to high-quality development. Zhengzhou School was newly added into the Group's school network. Further acquisition of minority interest in Guangxi Schools and Northeast School were completed. Focusing on the national strategies of regional development, such as the development of Western China, the rise of Central China and the revitalization of Northeast China, the Group will give full play to its advantages of centralized school operation in the future, and facilitate local economic development through deploying in emerging industries, leading industries and special industries.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Business Overview

The Group is a leading higher vocational education group with a focus on higher vocational education for 22 years which first put forward and propelled the school operation model of Application-oriented Universities. As at 31 August 2021, the Group's school networks covered various regions of China, the total number of enrolled students increased to approximately 144,000 at present. As a leader of high-quality employment, the schools of the Group have been awarded the "Top 50 National Employment (全國就業工作50強)" by the Ministry of Education, with an average employment rate of approximately 98%, and the employment rate of each school receiving top ranking from all provinces and regions.

Key Points of High-quality Development

Focusing on higher vocational education, the Group has realized high-quality development in terms of high-quality connotation, high-quality teaching, high-quality employment, high-quality student-teacher experience and high-quality integration.

(I) High-quality connotation

Focusing on connotation development, the source and structure of students of the Group has been further optimized. The proportion of undergraduate students and students enrolled through junior college to bachelor degree transfer programmes has been further expanded. The brand influence of the Group's schools has continued to increase, and the admission scores of key majors are higher than the provincial minimum admission scores, of which, the minimum admission scores of the clinical medicine major of Central China School in 2021 are 41 points higher than the provincial minimum admission scores. Benchmarking against the sunrise industries, the Group has built five advantageous major groups, including information technology, high-end equipment manufacturing, big health, digital finance and market service, education and culture, etc. In 2021, the number of relevant majors accounted for more than 70% of total major groups of our schools and the number of students enrolled exceeded 80% in the aspect of the advantageous major groups of our schools.

(II) High-quality teaching

Closely focusing on the needs of the country and the industry, the Group has deployed in the sunrise industries by building five advantageous major groups, implementing the “Customized Training Program for Famous Enterprises (名企定制培養計劃)”, opening more than 100 employment classes for famous enterprises, and building advantageous majors with top universities and leading famous enterprises. In July 2021, the Group has cooperated with the Snow Laboratory of Harvard Graduate School of Education to jointly develop the pre-school education major of our schools. In March 2021, the Group signed a comprehensive cooperation agreement with Huawei, taking the construction of Huawei Cloud School project as the beginning, to jointly construct majors, teachers, courses, experimental and practical training conditions, etc., and to fully develop collaborative education and build an information and communication technology (ICT) talent ecology. The Group vigorously promoted the involvement of double qualification teachers in teaching practice. With a platform of industrial college jointly established by schools and enterprises, famous enterprises such as Huawei, JD, Geely Auto and Chinasoft International send out accredited professionals to participate in teaching and practical guidance activities to deeply develop collaborative education, with a view to cultivate application-oriented talents who meet the development needs of industry and job position, with industry growth potential and career development capabilities.

(III) High-quality employment

The Group has obvious advantages in high-quality employment. The Group has established in-depth cooperation with more than 1,600 famous enterprises. Even during the epidemic, the Group’s average employment rate climbed to 98% by the end of 2020, exceeding the Group’s average employment rate for the same period in 2019, and much higher than the average in the nationwide. The high-quality employment rate doubled as compared with that for the same period of 2019. The Group was awarded the National Employment Competitiveness Group in the CCTV.COM Education Gala 2020, which was the only education group in China to win the award. Each of Guangxi Schools and Gansu School ranked first in the respective region and province in terms of employment rate, and the employment rate of Gansu School exceeded the historical record of Gansu Province in undergraduate employment rate.

Attaching great importance to the high-quality employment of students, the Group has continuous remarkable employment achievements. Up to now, the initial employment rate of 2021 graduates of the Group has reached 90%. The number of high-quality employment students has increased by 60% as compared with the same period of last year, and the number of internships in famous enterprises has doubled that of last year. Constant breakthroughs have been made in the employment achievements of each school, in particular, the initial employment rate of Gansu School ranks first among undergraduate colleges in the province again, breaking the historical record of the employment rate of Gansu Province for two consecutive years. The initial employment rate of Guangxi Schools ranks first among similar schools in the region again in 2021. Yunnan School was identified as the employability training base for national college graduates by the Ministry of Education. Recently, Guizhou School was recognized as one of the “Top 100 National Typical College Graduates for Employment and Entrepreneurship (全國高校畢業生就業創業典型)” by the MOE, the only college in Guizhou Province and the only private school in China winning this honor, and it also received recognition from Huai Jinpeng (懷進鵬), Minister of the MOE, at the 2022 National Conference on Employment and Entrepreneurship for Graduates of Ordinary Colleges and Universities (2022屆全國普通高校畢業生就業創業工作會議) jointly held by the MOE and the Ministry of Human Resources and Social Security. The graduates of the Group’s schools are well received by world-class employers and the employment salaries of 2021 graduates have reached a record high, with the highest salary far exceeding that of similar schools in the province.

(IV) High-quality student-teacher experience

The Group has further improved the student-teacher experience through establishing student-teacher experience centers, and building student-teacher opinion platforms to analyze the opinions and suggestions provided by students and teachers and staff in a regular and deep manner. The smart campus digital platform system was fully established by the Group, with over 75 million annual functional services counted. The schools of the Group have organized hundreds of various societies and associations, and invited famous lecturers to conduct training and give lectures, which greatly enriches the leisure life of students at school. The Group has increased investments in transformation and improvement of the campus. For example, Yunnan School has completed the renovation of sport field, Luoyang School has built the largest single-story student canteen in the local area, and Guangxi Schools have renovated 4-person student apartments, which comprehensively improves the satisfaction of students and teachers, and promotes the sustainable and healthy development of the Group.

(V) High-quality integration

The Group has further leveraged its strong advantages of centralized replication to make greater effort to the building and training of talent teams through centralized empowerment management, and continued to improve organizational capabilities. The Group has also vigorously promoted process reengineering, replicated the standardized processes of the Group and schools to cover daily business, and worked hard for comprehensive digital coverage of academic and office work to improve work efficiency. With the full empowerment of the high-quality integration of the Group, Zhengzhou School has hit a record high number of admission quotas, achieved a significant improvement in the campus environment, and recorded a substantial increase in student-teacher satisfaction. After the reporting period, the Group completed the further acquisition of minority interest in Northeast School which will enable the Group to further leverage the advantages of centralized school operation to achieve the goal of high-quality development in future.

Business Updates

Completion in conversion of two independent colleges in response to the national call to accelerate the conversion of independent colleges

Central China School and Gansu School of the Group were approved by the Ministry of Education to successfully convert from independent colleges to full private universities in March 2021. Upon the completion of the conversion, Central China School has been renamed as “Hubei Enshi College” and Gansu School has been renamed as “Lanzhou College of Information Science and Technology” and the above two schools have recruited students under the new school names and have educated and managed students under the management system of the new schools.

After the conversion, the above two schools have received policy support in the areas of “enrollment plans, project application and discipline setting” etc. The two schools have been more clearly positioned in the education sector. With high-quality employment of students as the guide, they have vigorously developed the talent cultivation model with integration of industry and education, and collaborative education. The Group has also further expanded the autonomy of school operation, strengthened management empowerment, and continuously improved the above two schools’ ability to operate schools and operational efficiency.

Adding Zhengzhou School into the Group to facilitate the national strategy of regional development

In response to the demand for high-quality local education, the Group won the bidding for 100% sponsor interest in Zhengzhou School in April 2021, and obtained all necessary approvals on 28 September whereby Zhengzhou School was added into the Group's school network, further enhancing the Group's market share in the province with the largest student enrollment and facilitating the rapid growth of the Group's school scale of operation. The quality of school operation and operational efficiency of Zhengzhou School have been rapidly improved through precise empowerment, and the Group will further facilitate the national strategy of regional development for the rise of Central China through high-quality school operation.

Adding Guangxi Schools and Gansu School into the Group to deeply integrate into national coordinated regional development strategies

The Group has obtained all necessary approvals in April 2021 and Gansu School was added into the Group's school network. Since joining the Group in July 2018, through integrated resources, sharing of strengths and synergized development, the Group has supported Gansu School to become the key university supported by and developed in the "13th Five-Year Plan" of Gansu Province. Gansu School has also been recognized as Advanced Unit of Employment in Ordinary Colleges and Universities in Gansu Province. Following the execution of the relevant supplemental agreement to the Structured Contracts, Gansu School has become an entity controlled by the Group and its results of operations has been consolidated into those of the Group.

In May 2021, the Group further acquired 10% equity interest in Songming Xinju, the sole shareholder of the Guangxi School Sponsor. Thereafter, Songming Xinju has become 100% owned by Daai Education. This has enabled the Group to give full play to its capability in centralized school operation where the ability to operate schools of Guangxi Schools has been further enhanced.

With Gansu School, Guangxi Schools and Northeast School (after the reporting period) added into the Group's school network, the Group will continue to grasp opportunities arising from the national regional development in the future with a focus on the national strategies of regional development, such as the development of Western China, the rise of Central China and the revitalization of Northeast China, and deeply integrate into coordinated regional development strategies in China through high-quality school operation, while deploying in key regions and giving full play to its synergistic advantages of centralized school operation to achieve the expected goal of high-quality development.

Issuance of new syndicated loan to facilitate the high-quality development of the Group

In June 2021, the Group entered into a facilities agreement relating to up to US\$100,000,000 senior secured term loan and revolving loan facilities (with a greenshoe option of up to US\$25,000,000) with various banks and Credit Suisse AG, Singapore Branch. The term of the facilities is 3 years from its first utilisation. The purposes of the facilities are, among others, for the repayment and/or discharge of the outstanding amount under an existing term loan facility obtained by the Group as set out in its announcement of 22 February 2018, and the general corporate purposes of the Group.

HIGH-QUALITY DEVELOPMENT OF SCHOOLS

Yunnan School (Self-founded)

- Founded in 2005 and provides undergraduate education and junior college education
- The first private undergraduate school in Yunnan Province
- Top 50 National Graduate Employment of the MOE (教育部全國畢業生就業工作50強)
- Approved as applied talents training model institute in Yunnan Province in 2019
- The first applied undergraduate university in Yunnan which established University Edge Computing Network Engineering Research Center
- Won the first award of the Yunnan Duty Appraisal of Employment Target for 10 consecutive years
- The employment rate of 2020 graduates ranked first among similar schools in Yunnan Province
- Won two national grand prizes at the 11th “Innovation, Creativity and Entrepreneurship” Challenge for National University Students in E-Commerce, and was the school with the largest number of grand prizes and winners in the country

Guizhou School (Self-founded)

- Founded in 2012 and provides junior college education
- The full-time vocational college with the largest enrollment and leading employment rate in Guizhou Province
- “Outstanding Youth Commando for Epidemic Prevention (優秀防疫青年突擊隊)” awarded by Guiyang Committee of the Communist Youth League
- The only private college in Guiyang awarded the “Advanced Educational Institution in Guiyang” in 2019
- The passing rate of nurse qualification examinations for four consecutive years is higher than the national average level of higher vocational education, and ranking the top in Guizhou Province
- Selected as a typical case of employment and entrepreneurship for 2020 college graduates by the Ministry of Education, and was the only private school winning this honor in Guizhou Province
- Delivered a speech on typical experience in the Meeting of Graduates’ Empolyments and Entrepreneurship of 2021 Provincial Higher Colleges as a representative and reported to the Ministry of Education as a typical case of employment in Guizhou Province
- Recognized as one of the “Top 100 National Typical College Graduates for Employment and Entrepreneurship (全國高校畢業生就業創業典型)” by the MOE, and was the only college winning this honor in Guizhou Province and the only private school winning this honor in China
- The major group of nursing is a provincial characteristic backbone major streams of higher vocational education and has a provincial excellent teaching team

Central China School (Investment, completed in August 2019)

- Established in 2003 and provides undergraduate and junior college education in medical science, arts and other subject
- An application-oriented private undergraduate university with distinctive characteristics, well-known in the province and influential in the country
- Obtained the qualification to grant Bachelor of Medical Science

- Government entrusted targeted training unit for medical students
- Won the title of “Excellent Project of National Volunteer Service for West China Development Program (全國西部計劃志願服務項目優秀項目辦)” in 2020, and was the private college with the largest number of admission quota in the West China Development Program of the province in 2021
- The written examination passing rate of civil servants in Central China School receiving top ranking from the province in 2021

Northeast School (Investment, completed in December 2018)

- First built in 1992, then established as an independent institute in 2004 and provides undergraduate education
- The earliest private undergraduate university in Heilongjiang Province
- The only national key construction base for the training of qualifications of middle-level professional teachers in private universities
- Heilongjiang Top 100 Quality Institution
- The first batch of pilot universities for “Campaign of Cultivating Excellent Engineers” in Heilongjiang Province
- The “1115” Project of Heilongjiang Province’s construction of a strong province for higher education
- Automobile service engineering major was recommended to participate in the construction of national first-class majors
- The first batch of director units of the Association of Universities (Colleges) of Applied Science in China
- Welding technology and engineering was approved by the Ministry of Education for the reform project of new engineering as the only school among the colleges of its kind in Heilongjiang Province

Luoyang School (Investment, completed in October 2018)

- Established in 2013 and provides junior college and vocational education
- The only private higher vocational college in Luoyang city, Henan
- Excellent private school in Henan Province
- The National Top 10 E-commerce Educational Institutions
- The first batch of pilot colleges to hold the National E-commerce Skills Examination
- Vice chairman unit of China Modern Service Industry Vocational Education Group
- National grand prize of the 10th national university student e-commerce “Innovation, Creativity and Entrepreneurship” challenge
- The first cross-border e-commerce industry college cooperating with the government to implement a comprehensive bonded zone in the country

Guangxi Schools (Investment, completed in January 2019)

- Established in 2005 and provides junior college and high school education
- Located in the port city of Beibu Gulf Economic Zone
- The only private college in Qinzhou City
- The most international higher education college in the area
- The first prize of the 8th national university digital art design competition
- The employment rate ranked first among similar schools in the province for two consecutive years
- Won “2020 Outstanding Unit of Employment and Entrepreneurship for Graduates of Colleges and Universities in Guangxi”, which is the only private college awarded within this 5 years

Gansu School (Investment, completed in April 2021)

- Established in 2004 and provides undergraduate education
- Recognized as Advanced Unit of Employment in Ordinary Colleges and Universities in Gansu Province
- The first batch of pilot universities for transformation and development of applied technology universities in Gansu Province
- The key university supported and developed in the “13th five year plan” of Gansu Province
- Ranked No. 1 in the province on employment rate of undergraduate colleges for two consecutive years
- Exceeded historical records of the employment rate of graduates in Gansu Province in 2020, and the initial employment rate of graduates in Gansu Province in 2021

Zhengzhou School (Investment, completed in September 2021)

- Established in 2009 and provides junior college education
- A cradle of city builders and service providers
- One of the top ten schools in terms of higher education quality and social satisfaction in Henan Province
- A high-quality school in the education industry of Central China in 2020
- Won one first prize and two outstanding awards at the 11th Lanqiao Cup National Software and Information Technology Experts Competition (藍橋杯全國軟件和信息技術專業人才大賽)

Steady Growth of the Total Number of Enrolled Students Driven by the Strong Demand for High-quality Education from Students

For the academic year of 2021/2022, the total number of enrolled students at the Group's schools increased to 143,764, representing an increase of 14.4% as compared to 125,692 enrolled students announced in November 2020, which has contributed to further improvement of the Group's sustainable and high-quality development capabilities.

Having been encouraged by a series of national vocational education policies including the "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》) recently, the Group will continue to set sustainable and high-quality development as its base, create and provide high-quality vocational education opportunities for more students, and cultivate more technical and skilled professionals to serve social and economic development.

Awards and Honors Received for Remarkable Achievements in High-quality Development

During the twelve months ended 31 August 2021, the Group and its schools won a number of awards and honors, where its schools actively participated in 57 national university student competitions recognized by the Ministry of Education, and won 117 national awards and 895 provincial awards. The above awards were recognition of the Group's quality of education, its educating capabilities and its achievements of centralized operation. The following table shows some of the representative awards and honors received by the Group and its schools:

Schools	Awards and Honors
Group	The Group was honored as "National Employment Competitiveness Group" in CCTV.COM Education Gala 2020
Group	Outstanding Listed Company Award presented by Outstanding Listed Company Award 2020 held by "AM730" and PR Asia
Group	The 17th Hong Kong Outstanding Enterprise Award (for the third consecutive year) presented by Hong Kong Economic Digest
Group	"Vocational Education Leap of the Year" was awarded at the 4th Blue Whale Education Conference 2020

Schools	Awards and Honors
Group	Best Education Company Award in the “5th Annual Golden Hong Kong Stock Awards Ceremony” co-organized by Zhitong Finance and Tonghuashun Finance
Yunnan School	Two Grand Prizes, one First Prize, one Second Prize, one Third Prize, two Best Creative Awards and three Best Entrepreneurship Awards at the 11th “Innovation, Creativity and Entrepreneurship” Challenge for National University Students in E-Commerce
Guizhou School	One First Prize and two Third Prizes at the 4th “Keyun Cup” National Vocational Colleges and Universities Finance and Accounting Vocational Ability Competition
Northeast School	One First Prize (the first place in three northeastern provinces) and one Second Prize at the Second “Inspur Cup” Business Big Data Analysis and Application Competition
Central China School	Gold Prize and many other awards at the 12th Challenge Cup China University Students’ Entrepreneurship Project Competition with the number of awards reaching a record high
Luoyang School	Three First Prizes, four Second Prizes, six Third Prizes and two outstanding awards at the 9th National University Digital Art Design Competition
Guangxi Schools	One First Prize and one Second Prize at the Fifth National Ceramics Vocational Skills Competition of China Skills Competition of “Gaoling Cup”
Gansu School	Two Second Prizes and ten Third Prizes at the 14th “Higher Education Cup” National College Students Advanced Drawing Technology and Product Information Modeling Innovation Competition
Zhengzhou School	One First Prize and two Outstanding Awards at the 11th Lanqiao Cup National Software and Information Technology Experts Competition

FUTURE OUTLOOK

(I) Continuous Promulgation of Favourable Policies and Promising Future of Vocational Education

The PRC introduced a number of policies to support and encourage the development of vocational education. In April 2021, Xi Jinping, General Secretary of the Central Committee of the Chinese Communist Party, President of the People's Republic of China, and Chairman of the Central Military Commission, gave an important instruction on vocational education, saying that vocational education has a promising future and huge development potential in the new journey of building a modern socialist country. In May 2021, the Regulations for the Implementation of the Law on the Promotion of Private Education of the People's Republic of China (《中華人民共和國民辦教育促進法實施條例》) was officially implemented, clearly encouraging enterprises to operate or participate in the operation of private schools implementing vocational education in accordance with the law through wholly-owned subsidiaries, equity joint ventures or cooperative joint ventures. In October 2021, the 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》) was released, clearly supporting and encouraging listed companies and industry leaders to develop vocational education, incentivising application-oriented colleges and universities to develop vocational education at the undergraduate level, and quantifying the scale of vocational education at the undergraduate level and a vision of substantial completion of building a skill-based society by 2035. The Group will continue to benefit from the favorable policies of vocational education.

(II) Insisting on the Strategy of High-quality Development of Higher Vocational Education

The Group adheres to the high-quality development strategy, gives priority to the connotation development, and takes the high-quality employment of students as guidelines to continuously optimize the major structure and talent training model. The Group also constantly increases the investment in teaching, learning and campus environment, and builds a higher-level teaching team to improve the student experience in an all-round way, thereby gaining the recognition of students, parents, enterprises and the government with connotative high-quality development, cultivating more high-quality technical talents for the society.

FINANCIAL REVIEW

The financial results for the year ended 31 August 2021 and the Pro Forma Period are as follows:

	Year ended		Eight months
	31 August 2021	31 August 2020	ended 31 August 2020
	<i>RMB million</i> (Audited)	<i>RMB million</i> (Pro forma)	<i>RMB million</i> (Audited)
Total revenue[^]	1,815.5	1,457.0	796.3
Revenue	1,497.5	1,292.4	721.6
Cost of sales	830.3	675.7	433.0
Gross profit	667.2	616.7	288.6
Other income and gains	318.0	164.6	74.7
Selling and distribution expenses	20.2	16.4	10.5
Administrative expenses	84.7	88.5	42.3
Other expenses	60.3	16.8	10.5
Finance costs	142.1	113.3	76.4
PROFIT BEFORE TAX	677.9	546.3	223.6
Income tax expense	86.1	64.3	26.5
Net profit	591.8	482.0	197.1
Net profit attributable to owners of the parent	567.8	432.7	174.9

[^] Total revenue = revenue + other income and gains

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

Accordingly, the current accounting period covers a period of twelve months from 1 September 2020 to 31 August 2021. The corresponding comparative amounts shown in consolidated statement of profit or loss and other comprehensive income covered a period of eight months from 1 January 2020 to 31 August 2020, and therefore are not entirely comparable with those of the current period.

To provide meaningful comparative information, the Group prepared pro forma financial information covering the year ended 31 August 2020 (the “**Pro Forma Period**”). The pro forma figures have not been audited. The pro forma financial information is comprised of (1) the financial results for the period from 1 September 2019 to 31 December 2019, which derived from the 2019 annual financial results after deduction of the financial results (unaudited) for the eight months from 1 January to 31 August 2019 and (2) the eight-month financial results derived from the annual financial results (audited) for the eight months ended 31 August 2020.

Revenue

The Group's revenue increased by 15.9% from RMB1,292.4 million for the Pro Forma Period to RMB1,497.5 million for the year ended 31 August 2021, which was mainly attributable to (1) consolidation of Gansu School as continuing to leverage the advantages of centralized school operation; and (2) steady growth of revenue from tuition fees and boarding fees driven by continuous high quality connotation development.

Cost of Sales

The Group's cost of sales increased by 22.9% from RMB675.7 million for Pro Forma Period to RMB830.3 million for the year ended 31 August 2021, which was primarily due to (1) the Group continued to optimize its cost structure and continued to increase its investment in connotation development such as teaching, employment, and students' experience; (2) each school of the Group devoted great effort to the introduction of subjects and majors for cultivating high-end talents and improvement of benefits for staff; and (3) the consolidation of Gansu School at the end of April and the increase in the number of students of the Group.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 8.2% from RMB616.7 million for the Pro Forma Period to RMB667.2 million for the year ended 31 August 2021. The gross profit margin for the year ended 31 August 2021 was 44.6%, representing a decrease of 3.1 percentage points as compared to the gross profit margin of 47.7% for the Pro Forma Period. The decrease was mainly due to the Group's adherence to connotation development strategy and the increased investment in talents and teaching. As such, the growth of revenue for current stage was temporarily lower than the growth of cost of sales. The strategy based on high quality will lay a solid foundation for future organic growth.

Other Income and Gains

The Group's other income and gains increased by 93.2% from RMB164.6 million for the Pro Forma Period to RMB318.0 million for the year ended 31 August 2021, which was mainly due to (1) the integration of its training resources accumulated over the years and the exploration of best practices to actively provide training services for vocational skills improvement to the society and students; (2) leveraging the advantages of centralized school operation, the logistics service model was continuously replicated and the business layout was improved, contributing to a solid growth in logistics revenue; and (3) the increase in revenue from the school-enterprise cooperation brought by the continuous improvement of the Group's public reputation and the deepened integration of industry and education.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by 23.2% from RMB16.4 million for the Pro Forma Period to RMB20.2 million for the year ended 31 August 2021. This increase was primarily attributable to the continuous strengthening of the Group and school branding and increased investment in brand promotion. The expenses accounted for approximately 1.1% of the Group's total revenue for the Reporting Period, which is generally consistent with historical levels.

Administrative Expenses

The Group's administrative expenses decreased by 4.3% from RMB88.5 million for the Pro Forma Period to RMB84.7 million for the year ended 31 August 2021. Such expenses accounted for approximately 4.7% of the Group's total revenue for the Reporting Period, a decrease of 1.4% as compared to the proportion of the administrative expenses over total revenue during the Pro Forma Period. The decrease in administrative expenses was mainly due to the Group's continuous efforts to optimize the cost structure, increase investment in teaching and strictly control its administrative expenses.

Other Expenses

The Group's other expenses increased by 258.9% from RMB16.8 million for the Pro Forma Period to RMB60.3 million for the year ended 31 August 2021, which was primarily due to (1) increased expenses resulted from the increase in other income and gains; and (2) the increase in the Group's investment to strengthen vocational education and training and logistics business services.

Finance Costs

The Group's finance costs increased by 25.4% from RMB113.3 million for the Pro Forma Period to RMB142.1 million for the year ended 31 August 2021, which was mainly due to (1) the addition of US\$100 million convertible bond financing; (2) an increase of 24.6% in total interest-bearing debt, resulting in an increase of 10.0% in finance costs. The financing rate of interest-bearing debt had significantly decreased.

Profit before Tax

As a result of the foregoing, the Group recognised a profit before tax of RMB677.9 million for the year ended 31 August 2021 as compared with RMB546.3 million for the Pro Forma Period, representing an increase of 24.1%. This is mainly due to (1) substantial organic growth; (2) the development of diversified income, provision of vocational skills training services for students and society, and the expansion of commercial logistics income by leveraging the advantages of its centralized school operation and the increase in income from the school-enterprise cooperation by deepening the cooperation between schools and enterprises; and (3) the continuous optimization of cost structure with the constant increase in the investment in education, and strict control of administrative expenses and selling and distribution expenses.

Net Profit

As a result of the combined effect of revenue, costs and expenses above, the net profit of the Group was RMB591.8 million for the year ended 31 August 2021, an increase of 22.8% as compared with RMB482.0 million for the Pro Forma Period.

Net Profit Attributable to Owners of the Parent

Due to the combined effects of the above revenue, costs and expenses, the Group's net profit attributable to owners of the parent increased by 31.2% to RMB567.8 million for the year ended 31 August 2021 from RMB432.7 million for the Pro Forma Period.

Total Capital

The total capital of the Group, which equals to the aggregate of cash and cash equivalents plus time deposits, pledged deposits, financial assets at fair value through profit or loss, increased by 18.2% from RMB998.1 million as of 31 August 2020 to RMB1,180.0 million as of 31 August 2021. The capital reserves were steadily increased.

Financial Resources and Gearing Ratio

The Group's interest-bearing bank loans and other borrowings primarily consisted of short-term working capital loans and long-term project loans for our school buildings and facilities. The interest-bearing bank loans and other borrowings as well as lease liabilities amounted to RMB2,362.9 million as of 31 August 2021 (31 August 2020: RMB1,895.8 million), among which U.S.\$100 million was denominated in United States dollar, while the remaining was denominated in Renminbi.

Interest-bearing debt equals to the total amount of interest-bearing bank loans and other borrowings and lease liabilities as of 31 August 2021. The Group's interest-bearing debt/total assets decreased from 32.4% as of 31 August 2020 to 29.8% as of 31 August 2021. The Group actively manages its liabilities by controlling the total amount and optimizing the structure.

Net interest-bearing debt equals to the total interest-bearing bank loans and other borrowings and lease liabilities net of total capital as of 31 August 2021. The Group's net interest-bearing debt to total equity increased from 35.9% as of 31 August 2020 to 37.1% as of 31 August 2021, which was primarily attributable to the acquisition of Zhengzhou School at a consideration of RMB673.5 million. Excluding this factor, the net interest-bearing debt/total equity as of 31 August 2021 would be 16.0%, representing a significant decrease as compared with the net interest-bearing debt/total equity as of 31 August 2020.

Gearing ratio equals to ratio of interest-bearing debt divided by total equity as of 31 August 2021. The Group's gearing ratio decreased from 75.7% as of 31 August 2020 to 74.0% as of 31 August 2021. The growth rate of interest-bearing debt was generally in line with that of total equity.

Capital Expenditures

For the year ended 31 August 2021, the Group's capital expenditures were RMB446.8 million, which was primarily used for the construction of our school buildings, facilities, land acquisition and purchase of equipment and software.

Capital Commitments

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

	Year ended 31 August 2021 (Audited) RMB million	Eight months ended 31 August 2020 (Audited) RMB million
Contracted but not provided for:		
Property, plant and equipment		
Within one year	312.2	126.2
Over one year	347.3	64.6
Investments		
Within one year	–	23.0
Over one year	–	–
	659.5	213.8

As of 31 August 2021, the Group had no significant capital commitment authorized but not contracted for.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 4 February 2021, the Group completed acquisition of 100% interests in Beijing Lianhe. On 20 April 2021, the Group completed acquisition of 100% interests in Gansu School. On 25 May 2021, the Group completed further acquisition of 10% interest in Songming Xinju, the sole shareholder of the Guangxi School Sponsor. Upon completion of the aforesaid events, each of Beijing Lianhe, Gansu School and Guangxi Schools entered into a supplemental agreement to the Structured Contracts with Huihuang Company, Yun Ai Group, the current registered shareholders of Yun Ai Group, to reflect the Group's change of interest in them. Accordingly, each of Beijing Lianhe, Gansu School and Guangxi Schools became a 100% consolidated affiliated entity of the Company. Please refer to the announcements dated 4 February 2021, 20 April 2021 and 25 May 2021, respectively, for details of the aforesaid events.

Save as disclosed, there were no other significant investments held by the Group, no material acquisitions or disposals of subsidiaries, associates or joint ventures during the period, nor was there any plan authorized by the Board for other material investments or additions of capital assets during the year ended 31 August 2021.

FOREIGN EXCHANGE RISK MANAGEMENT

The functional currency of the Group is RMB and HKD. The majority of the Group's revenue and expenditures are denominated in RMB. As at 31 August 2021, certain bank loan and bank balances were denominated in USD and HKD. The Group currently does not have any foreign currency hedging policies. The management will continue to pay attention on the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

PLEDGE OF ASSETS

The pledged assets of the Group as at 31 August 2021 are as follows:

- (i) the Group's buildings, furniture and fixtures and electronic devices with an aggregate net carrying amount of approximately RMB10,616,000 as at 31 August 2021 (2020: RMB182,969,000);
- (ii) the pledge of shares of the Group's certain subsidiaries;
- (iii) personal guarantees executed by Mr. Li and Ms. Yang (spouse of Mr. Li);
- (iv) corporate guarantees executed by the Group and subsidiaries of the Group, which are controlled by Mr. Li;
- (v) deposits of the Group with an amount of RMB284,115,000 as at 31 August 2021 (2020: RMB271,796,000); and
- (vi) the charging right of tuition and boarding fees of Yunnan School, Guizhou School, Guangxi Schools and Luoyang School.

Contingent Liabilities

As of 31 August 2021, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

EVENTS AFTER THE REPORTING PERIOD

Completion in Successful Bidding of the Zhengzhou School

On 13 April 2021, Zhengzhou New Higher Education, an indirect wholly owned subsidiary of the Company, successfully bid the Zhengzhou School, including all the rights its school sponsor and investor enjoy, and obtained the Judicial Auction Successful Internet Bidding Confirmation* (司法拍賣網絡競價成功確認書) on the same day.

On 28 September 2021, Zhengzhou New Higher Education obtained all necessary approvals and Zhengzhou School was added into the Group's school network whereby Zhengzhou New Higher Education became the sole sponsor of the Zhengzhou School. On the same day, Zhengzhou New Higher Education, Beijing New Higher Education, the company holding 100% equity interest of Zhengzhou New Higher Education and a wholly owned subsidiary of Yun Ai Group, the Zhengzhou School and the newly appointed directors of the Zhengzhou School designated by Zhengzhou New Higher Education entered into the a supplemental agreement to the Structured Contracts with Huihuang Company, Yun Ai Group, and the registered shareholders of Yun Ai Group, to reflect the Group's interest in Zhengzhou School. Upon entering into of such supplemental agreement, Zhengzhou School shall become an entity controlled by the Company and its results of operations shall be consolidated into the Group's results of operations.

Full Redemption of US\$100,000,000 1.0% Guaranteed Convertible Bonds due 2021

On 16 September 2020, Goldensep Investment Company Limited, a direct wholly-owned subsidiary of the Company, as the issuer, the Company, as the guarantor, and Credit Suisse (Hong Kong) Limited, as the sole lead manager entered into a convertible bonds subscription agreement (the "**CB Subscription Agreement**"), pursuant to which, the issuer agreed to issue 1.0% guaranteed convertible bonds due 2021 in the aggregate principal amount of U.S.\$100,000,000 at an initial conversion price of HK\$6.313 per Share (subject to adjustments) (the "**Convertible Bonds**").

The Company has redeemed the outstanding Convertible Bonds in full in accordance with the terms and conditions of the Convertible Bonds under the CB Subscription Agreement at a redemption price equal to 100% of the outstanding principal amount of US\$100,000,000 together with all accrued and unpaid interests thereon on the maturity date of 28 September 2021 (the "**Full Redemption**"). Following the Full Redemption, the Convertible Bonds have been cancelled in full and the Company is discharged from all of the obligations under and in respect of the Convertible Bonds.

Intention to Conduct On-market Share Repurchase

On 28 October 2021, the Board formally resolved to utilize the Share Repurchase Mandate to repurchase Shares in the open market from time to time at a maximum aggregate amount of HK\$300 million (the “**Proposed Share Repurchase**”). The Company will conduct the Proposed Share Repurchase in compliance with the memorandum and articles of association of the Company, the Listing Rules, the Codes on Takeovers and Mergers and Share Buy-backs, the Companies Law of the Cayman Islands and all applicable laws and regulations to which the Company is subject to.

The Board believes that a share repurchase demonstrates the Company’s confidence in the high quality development of its own business and would, ultimately, benefit the Company and create value to the Shareholders. The Proposed Share Repurchase is in the interests of the Company and its Shareholders as a whole. The Board believes that the current financial resources of the Company would enable it to implement the share repurchase while maintaining a solid financial position.

Completion in the further acquisition of minority interest in Northeast School

On 19 November 2021, Yun Ai Group entered into an equity transfer agreement, pursuant to which Yun Ai Group agreed to further acquire 26.09% equity interest of Haxuan Company, the sole sponsor of the Northeast School, from Ningde Company. Upon completion of the aforesaid event, Haxuan Company becomes 100% owned by Yun Ai Group.

FAVOURABLE POLICIES TO FACILITATE THE DEVELOPMENT OF PRIVATE EDUCATION

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

In March 2021, the National People’s Congress issued the Outline of the 14th Five-Year Plan for National Economic and Social Development of the People’s Republic of China and the Vision 2035 (the “**Plan**”), which clearly states that a high quality education system should be built. The Plan specifically introduces the “Education Quality and Expansion Project”, which specifies: (1) in the field of vocational and technical education, it is to support the construction of more than 200 high-level vocational schools with more than 600 high-level majors; and (2) in the field of higher education, it focuses on improving the operating conditions of 100 undergraduate colleges and universities in Central and Western China.

On 12 October 2021, the General Office of the Chinese Communist Party Central Committee and the General Office of the State Council issued the 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》) (the “**Opinions**”), and issued a notice requiring serious implementation. The opinions put forward that (1) Speeding up the establishment of the “vocational education college entrance examination” system, promote the vertical connection of vocational education at different levels, and strengthen the penetration and integration of general education and vocational education at all levels; (2) Adherence to major national development strategies, to encourage schools setting up more scarce and market-oriented majors; (3) Improving the diversified school operation pattern, encourage listed companies and industry leading enterprises to establish vocational education, encourage all kinds of enterprises to participate in the establishment of vocational education according to law, and enrich the school operation forms of vocational schools; (4) governments at all levels should coordinate the scale, structure and level of vocational education and human resources development, and include the integration of production and education into the economic and social development plan. Local governments should take the promotion of enterprises’ participation in school-enterprise cooperation and the cultivation of technical and skilled talents as the important contents of industrial development plans, industrial incentive policies and rural revitalization plans, to provide “financial + fiscal + land + credit” incentives to industry-education integrated enterprises, and implement the relevant tax and fee policies in accordance with the regulations; and (5) Realizing the innovation of school-enterprise cooperation mechanism, deepening the reform of education and teaching, build the brand of vocational education with Chinese characteristics, and explore the international development mode of “Chinese + vocational skills”.

RECENT DEVELOPMENTS OF REGULATORY FRAMEWORK

(I) Classified Registration

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

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

In order to further implement the above requirements, government and relevant competent departments in the region where the Group runs schools have successively issued supporting measures, including (1) Implementation Opinions issued by the People's Government of Yunnan Province on Encouraging Social Powers to Set up Education to Promote the Healthy Development of Private Education (18 December 2017), Notice of the Five Departments including Education Department of Yunnan Province on Steady and Orderly Promotion of Classified Registration and Management of Private Schools (12 June 2019); (2) Implementation Opinions issued by the People's Government of Guizhou Province on Supporting and Regulating Social Forces to Set up Education to Promote the Healthy Development of Private Education (3 August 2018), Measures for the Implementation of Classified Examination and Approval of Registration and Supervision and Management of Private Schools in Guizhou Province (Trial) (11 June 2019); (3) Implementation Opinions issued by Heilongjiang Province on Encouraging Social Powers to Set up Education to Promote the Healthy Development of Private Education, Measures for the Implementation of Classified Registration of Private Schools in Heilongjiang Province, and Measures for the Supervision and Administration of for-profit Private Schools in Heilongjiang Province (26 February 2019); (4) Implementation Opinions of the People's Government of Gansu Province on Further Promoting the Healthy Development of Private Education (8 November 2017), Measures for the Implementation of Classified Registration of Private Schools in Gansu Province (15 November 2018); (5) Implementation Opinions issued by the People's Government of Guangxi Zhuang Autonomous Region on Encouraging Social Powers to Set up Education to Promote the Healthy Development of Private Education (2 July 2018), Measures for the Implementation of Classified Registration of Private Schools in Guangxi Zhuang Autonomous Region (10 October 2018), Measures for the Implementation of Supervision and Administration of for-profit Private Schools in Guangxi Zhuang Autonomous Region (16 October 2018); (6) Implementation Opinions issued by the People's Government of Hubei Province on Encouraging Social Powers to Set up Education to Promote the Healthy Development of Private Education (20 December 2017); and (7) Implementation Opinions issued by the People's Government of Henan Province on Encouraging Social Powers to Set up Education to Promote the Healthy Development of Private Education (2 February 2018).

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

(II) The 2021 Implementation Rules

On 14 May 2021, the State Council promulgated the Implementation Rules for the Law for Promoting Private Education of the PRC (the “**2021 Implementation Rules**”), which has been implemented since 1 September 2021. The 2021 Implementation Rules stipulate that: (1) private schools may enjoy the preferential tax policies stipulated by the State, among which non-profit private schools may enjoy the same preferential tax policies as public schools; (2) for the construction or expansion of non-profit private schools, the local people’s governments shall grant preferential treatments in terms of land use by means of allocation in accordance with the principle of treating non-profit private schools equally as public schools. For the land use of private schools that implement preschool education and education for academic credentials, the governments may provide lands by means of agreement, bidding, auction and etc. according to the laws. Lands may also be supplied by long-term lease, lease and assignment, and combination of sale and rental. Charges for the assignment or rental of land may be paid in instalments within the specified time limit as agreed in the contract. The 2021 Implementation Rules do not involve specific provisions on preferential taxation and land use policies. Therefore, there are still uncertainties as to what kind of tax and land use policies and other aspects of government supports the private schools under the Group will enjoy in the future.

The 2021 Implementation Rules further stipulate that: (1) the State encourages enterprises to establish or participate in the establishment of private schools that implement vocational education in various forms, such as sole proprietorship, joint venture or cooperation according to law; institutions that implement nationally recognized educational examinations, vocational qualification examinations and vocational skill level examinations shall comply with the relevant provisions of the State in the establishment or participation in the establishment of private schools related to the examination implemented by them; (2) private schools that provide compulsory education are not allowed to enter into transactions with their interested parties, and other private schools shall conduct transactions with their interested parties in a manner that is open, justified and fair, shall be reasonably priced, shall establish standardized decision-making for such transactions and shall not harm the interests of the State, schools and teachers and students. Private schools shall set up an information disclosure mechanism for dealing with their interested parties. The relevant governmental authorities, such as the education department, the human resources and social security departments and the financial departments, shall strengthen the supervision of the agreements entered into between non-profit private schools and their interested parties, and shall review the connected transactions annually; (3) if the sponsor is a legal person, its controlling shareholder and the actual controller must meet the requirements stipulated by laws and administrative regulations for the establishment of a private school, and any change of the controlling shareholder or the actual controller, must be reported to the competent department for record-filing and publicity. Any social organizations and individuals shall not control compulsory education private schools or non-profit private schools which implement preschool education through mergers or structured contracts; and (4) the start-up capital and registered capital of a private school shall be paid in full when it is formally established and shall be compatible with the type, level and scale of the school.

Pursuant to the 2021 Implementation Rules, the Group is not prohibited from acquiring non-profit private schools providing higher education services or controlling them through structural contracts. As the Group has no plans to acquire private schools providing compulsory education or non-profit private schools providing preschool education, we do not consider that the 2021 Implementation Rules will have any adverse impact on the Group's future acquisitions.

Structured contracts may be considered as transactions with interested parties of private schools under the Group, and we may incur significant compliance costs due to the establishment of a disclosure mechanism. If the private school under the Group chooses to register as a non-profit private school, the competent government department shall review its relevant transactions annually. These processes may not be under our control and may be very complex and cumbersome, and may divert management attention. During the review process, government departments may require us to modify or terminate the structured contract, which may lead to penalties, resulting in a material adverse impact on the operation of the structured contract.

As of the date of this announcement, the Company's operations have not been affected by the 2021 Implementation Rules.

(III) Foreign Investment Law

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (“**Foreign Investment Law**”) approved by the National People's Congress on 15 March 2019 has been implemented since 1 January 2020, and has become the basic law for foreign investment in China. According to this law, existing foreign-invested enterprises may maintain their existing organization structure within five years from the effective date of the Foreign Investment Law.

On 26 December 2019, the State Council issued the Implementation Regulations of the Foreign Investment Law of the PRC (“**Implementation Regulations**”), which also came into effect on 1 January 2020, aiming to implement the legislative principles and purposes of the Foreign Investment Law.

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

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

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

(IV) Independent Colleges Conversions

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

As of the date of this announcement, the conversion of Gansu School and Central China School of the Group has been approved by the Ministry of Education, and the Group had completed the change of registration procedures of Gansu School and Central China School with the relevant authorities in each of the provinces.

PAYMENT OF FINAL DIVIDEND

The Board has resolved to make the payment of a final dividend of RMB0.083 per Share for the year ended 31 August 2021. The final dividend will be declared in Renminbi and paid in Hong Kong dollars. The exchange rate adopted for conversion was the average middle exchange rate published by the People's Bank of China of the five business days prior to the declaration of the final dividend (i.e. 23 November 2021 to 29 November 2021) (RMB1.0 to HK\$1.21947). Accordingly, the amount of the final dividend payable in Hong Kong dollars will be HK\$0.101216 per Share. The final dividend will be paid on 17 March 2022 to the Shareholders whose names appear on the register of members of the Company on 8 March 2022.

	Year ended 31 August 2021	Eight months ended 31 August 2020
Interim dividend (<i>RMB</i>)	0.054	0.042
Proposed final dividend (<i>RMB</i>)	0.083	–

CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting to be held on Friday, 25 February 2022, the register of members of the Company will be closed from Tuesday, 22 February 2022 to Friday, 25 February 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be qualified for attending and voting at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than Monday, 21 February 2022.

The register of members of the Company will be closed by the Group from Friday, 4 March 2022 to Tuesday, 8 March 2022, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be qualified for the final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Group's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 3 March 2022.

HUMAN RESOURCES

As of 31 August 2021, the Group had 8,647 employees (7,430 as of 31 August 2020). As required by the PRC laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. The Group maintains a good working relationship with employees, and the Group did not experience any material labor disputes during the year ended 31 August 2021.

CORPORATE GOVERNANCE

Corporate Governance Code

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

During the year ended 31 August 2021, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding directors’ securities transactions during the twelve months ended 31 August 2021.

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

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

AUDIT COMMITTEE

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

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS

The financial information for the year ended 31 August 2021 (not including the unaudited pro forma figures for the year ended 31 August 2020) set out in this announcement does not constitute the Group’s audited accounts for the year ended 31 August 2021, but represents an extract from the consolidated financial statements for the year ended 31 August 2021 which have been audited by the auditor of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The financial information for the year ended 31 August 2021 has been audited by the Audit Committee and approved by the Board.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 AUGUST 2021

		Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
	<i>Notes</i>		
REVENUE	4	1,497,455	721,644
Cost of sales		<u>(830,292)</u>	<u>(432,997)</u>
Gross profit		667,163	288,647
Other income and gains	4	317,978	74,678
Selling and distribution expenses		(20,245)	(10,476)
Administrative expenses		(84,638)	(42,308)
Other expenses		(60,300)	(10,512)
Finance costs	5	<u>(142,103)</u>	<u>(76,388)</u>
PROFIT BEFORE TAX	6	677,855	223,641
Income tax expense	7	<u>(86,058)</u>	<u>(26,546)</u>
PROFIT FOR THE YEAR/PERIOD		<u>591,797</u>	<u>197,095</u>
Attributable to:			
Owners of the parent		567,824	174,909
Non-controlling interests		<u>23,973</u>	<u>22,186</u>
		<u>591,797</u>	<u>197,095</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic (RMB)			
– For profit for the year/period		<u>0.36</u>	<u>0.11</u>
Diluted (RMB)			
– For profit for the year/period		<u>0.34</u>	<u>0.11</u>

	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 <i>RMB'000</i>
PROFIT FOR THE YEAR/PERIOD	591,797	197,095
OTHER COMPREHENSIVE INCOME		
OTHER COMPREHENSIVE INCOME THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:		
Exchange differences on translation of financial statements	36,315	2,696
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	36,315	2,696
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX	36,315	2,696
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	628,112	199,791
Attributable to:		
Owners of the parent	604,139	177,605
Non-controlling interests	23,973	22,186
	628,112	199,791

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 AUGUST 2021

		31 August 2021	31 August 2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		4,091,258	3,100,669
Investment properties		349,125	213,693
Right-of-use assets		839,280	467,968
Goodwill		371,569	241,732
Other intangible assets		62,116	23,479
Deferred tax assets		9,786	–
Other non-current assets	<i>10</i>	867,093	671,507
Total non-current assets		6,590,227	4,719,048
CURRENT ASSETS			
Prepayments, other receivables and other assets	<i>11</i>	161,904	139,510
Financial assets at fair value through profit or loss	<i>12</i>	–	118,041
Pledged deposits		284,115	271,796
Time deposits		120,090	–
Cash and cash equivalents		775,787	608,234
Total current assets		1,341,896	1,137,581
CURRENT LIABILITIES			
Deferred revenue	<i>13</i>	350,933	274,029
Other payables and accruals	<i>14</i>	955,878	1,019,916
Interest-bearing bank and other borrowings		568,313	718,242
Lease liabilities		6,713	9,762
Convertible bonds	<i>15</i>	646,459	–
Deferred income		13,476	9,185
Tax payable		67,311	26,799
Total current liabilities		2,609,083	2,057,933
NET CURRENT LIABILITIES		(1,267,187)	(920,352)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,323,040	3,798,696

	31 August 2021 RMB'000	31 August 2020 RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	1,786,319	1,161,798
Lease liabilities	1,588	5,996
Deferred income	201,177	32,589
Deferred tax liabilities	141,649	95,588
	<hr/>	<hr/>
Total non-current liabilities	2,130,733	1,295,971
	<hr/>	<hr/>
Net assets	3,192,307	2,502,725
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	1,086	1,056
Reserves	3,011,244	2,319,069
	<hr/>	<hr/>
	3,012,330	2,320,125
Non-controlling interests	179,977	182,600
	<hr/>	<hr/>
Total equity	3,192,307	2,502,725
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2021

1. CORPORATE AND GROUP INFORMATION

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

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

2.1 BASIS OF PREPARATION

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

The Group recorded net current liabilities of RMB1,267,187,000 as at 31 August 2021 (31 August 2020: RMB920,352,000), included in which were deferred revenue of RMB350,933,000 as at 31 August 2021 (31 August 2020: RMB274,029,000).

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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.

3. OPERATING SEGMENT INFORMATION

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

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

Geographical information

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

Information about major customers

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 August 2021 <i>RMB'000</i>	Eight months ended 31 August 2020 <i>RMB'000</i>
Revenue from contracts with customers		
Tuition fees	1,345,294	670,817
Boarding fees	152,161	50,827
	<u>1,497,455</u>	<u>721,644</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

	Year ended 31 August 2021 <i>RMB'000</i>	Eight months ended 31 August 2020 <i>RMB'000</i>
Type of services		
Education services	<u>1,497,455</u>	<u>721,644</u>
Geographical market		
Mainland China	<u>1,497,455</u>	<u>721,644</u>
Timing of revenue recognition		
Services transferred over time	<u>1,497,455</u>	<u>721,644</u>

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

	Year ended 31 August 2021 <i>RMB'000</i>	Eight months ended 31 August 2020 <i>RMB'000</i>
Revenue recognised that was included in deferred revenue at the beginning of the reporting period:		
Education services	<u>274,029</u>	<u>725,363</u>

(ii) *Performance obligations*

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

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

	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	<u>350,933</u>	<u>274,029</u>

	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
Other income and gain		
Service income	94,823	7,596
Bank interest income	26,349	9,837
Other interest income from financial assets at fair value through profit or loss	6,248	1,746
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	83,401	26,039
Government grants	18,734	6,876
Catering income	15,168	–
Donation income (<i>Note (a)</i>)	48,483	–
Sales of textbooks	21,226	–
Reversal of impairment allowance of prepayment on investments	–	19,774
Others	3,546	2,810
	<u>317,978</u>	<u>74,678</u>

Note (a): The amount primarily consists of external donations of electronic devices and software related to teaching activities to promote integration between industry and education and cooperation between enterprises and colleges.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
Interest on bank loans and other loans	149,121	75,983
Interest on lease liabilities	460	405
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	149,581	76,388
Less: Interest capitalised	(7,478)	–
	<hr/>	<hr/>
	142,103	76,388
	<hr/> <hr/>	<hr/> <hr/>

6. PROFIT BEFORE TAX

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

	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
	<i>Note</i>	
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	483,268	271,119
Equity-settled share option expense	5,016	1,770
Pension scheme contributions (defined contribution scheme)	42,930	8,182
	<hr/>	<hr/>
	531,214	281,071
	<hr/>	<hr/>
Depreciation of property, plant and equipment	140,495	81,947
Depreciation of investment properties	6,165	3,555
Depreciation of right-of-use assets	24,281	12,733
Amortisation of other intangible assets	9,298	4,237
Rental income	4	(83,401)
Government grants released	(18,734)	(6,876)
Lease payments not included in the measurement of lease liabilities	94	101
Auditor's remuneration	4,500	4,500
Bank interest income	4	(26,349)
Foreign exchange differences, net	1,772	1,985
Impairment allowance of prepayments, other receivables and other assets	2,154	2,094
Reversal of impairment allowance of prepayment on investments	4	–
Fair value losses, net:		
Convertible bonds	336	–
Loss on disposal of items of property, plant and equipment	131	134
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX

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

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

According to relevant provisions of Implementation Rules for the Law for Promoting Private Education (the “Implementation Rules”), private schools, whether requiring reasonable returns or not, may enjoy a preferential tax treatment. The Implementation Rules provide that the private schools for which the sponsors do not require reasonable returns/schools are elected as to be not-for-profit schools are eligible to enjoy the same preferential tax treatment as public schools, and relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. To date, however, no separate policies, regulations or rules have been introduced by the authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities, the PRC Private Schools have historically enjoyed the preferential tax treatment since their establishment. There was no corporate income tax imposed on the income from the provision of above schools. As a result, no income tax expense was recognised for the income from the provision of formal educational services by above schools during the year. These schools also have not yet elected to be for-profit or not-for-profit schools. According to the relevant in-charge tax bureau, since the relevant tax policy for schools that have not yet elected to be for-profit or not-for-profit is not yet announced and if the school nature has not yet been changed, the schools could follow previous corporate income tax exemption treatment for income from provision of formal educational services.

According to the Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies, certain qualifying entities of the Group that are located in Yunnan, Guizhou, Guangxi, Gansu, Hubei Province and Tibet Autonomous Region engaged in encouraged business are entitled to a preferential corporate income tax rate of 15%. Huihuang Company was subject to the PRC income tax at an original tax rate of 15%, which was subsequently changed to 9% under the Tibet Autonomous Region’s preferential investment policies upon the successful application by the Company for the year ended 31 August 2021. According to the Preferential Policies for Key Pilot Zone of Development and Opening Up (“重點開發開放試驗區”) in Ruili City, Yunnan Province, certain subsidiaries located in Ruili are entitled to a preferential corporate income tax rate of 9%. Other entities of the Group established in mainland China are subject to corporate income tax at a rate of 25% on their respective taxable income.

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. 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. Certain subsidiaries of the Group obtained the Certificate of Resident Status of Hong Kong in 2020, the applicable rate is changed to 5% from 2020 to 2022.

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

	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
Current		
Charge for the year/period	82,466	32,697
Deferred	3,592	(6,151)
	<hr/>	<hr/>
Total tax charge for the year/period	86,058	26,546
	<hr/> <hr/>	<hr/> <hr/>

8. DIVIDENDS

	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
Interim – RMB0.054 (2020: RMB0.042) per ordinary share	85,620	64,726
Proposed final – RMB0.083 (2020: Nil) per ordinary share	131,623	–
	<hr/>	<hr/>
	217,243	64,726
	<hr/> <hr/>	<hr/> <hr/>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,578,283,117 (2020: 1,541,108,486) in issue during the year.

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

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

	Year ended 31 August 2021 RMB'000	Eight months ended 31 August 2020 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	567,824	174,909
Add: Impact on profit or loss from convertible bonds	4,316	–
	<hr/>	<hr/>
Profit attributable to ordinary equity holders of the parent before fair value losses on convertible bonds	572,140	174,909
	<hr/> <hr/>	<hr/> <hr/>
	Number of shares	
	Year ended 31 August 2021	Eight months ended 31 August 2020
Shares		
Weighted average number of ordinary shares in issue during the year/period used in the basic earnings per share calculation	1,578,283,117	1,541,108,486
Effect of dilution – weighted average number of ordinary shares:		
Share options	1,994,559	437,462
Convertible bonds	112,533,792	–
	<hr/>	<hr/>
	1,692,811,468	1,541,545,948
	<hr/> <hr/>	<hr/> <hr/>

10. OTHER NON-CURRENT ASSETS

	31 August 2021 <i>RMB'000</i>	31 August 2020 <i>RMB'000</i>
Prepayment for investments (<i>Note (a)</i>)	674,517	472,355
Prepayment for land use rights	174,091	172,368
Prepayment for property, plant and equipment	17,899	26,256
Prepayment for other intangible assets	586	528
	<u>867,093</u>	<u>671,507</u>

Note (a): Prepayment mainly represents down payments for investments of Zhengzhou City Vocational College.

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	31 August 2021 <i>RMB'000</i>	31 August 2020 <i>RMB'000</i>
Prepaid expenses	14,401	2,100
Advance and other receivables	52,867	78,168
Staff advances	2,898	2,408
Deposits and other miscellaneous receivables	98,557	64,954
	<u>168,723</u>	<u>147,630</u>
Impairment allowance	<u>(6,819)</u>	<u>(8,120)</u>
	<u>161,904</u>	<u>139,510</u>

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 August 2021 RMB'000	31 August 2020 RMB'000
Other unlisted investments, at fair value	<u>–</u>	<u>118,041</u>

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

13. DEFERRED REVENUE

Details of contract liabilities are as follows:

	31 August 2021 RMB'000	31 August 2020 RMB'000
Tuition fees	310,220	259,206
Boarding fees	<u>40,713</u>	<u>14,823</u>
Total contract liabilities	<u>350,933</u>	<u>274,029</u>

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

The increase in contract liabilities as at 31 August 2021 was mainly due to the acquisition of Gansu School and the increase in the number of students.

14. OTHER PAYABLES AND ACCRUALS

	31 August 2021 RMB'000	31 August 2020 RMB'000
Payables for purchase of property, plant and equipment	157,812	90,342
Accrued bonuses and social insurance	78,319	107,492
Miscellaneous expenses received from students (<i>note (a)</i>)	94,663	102,387
Deposits	73,069	35,640
Payables to cooperative schools	8,666	12,656
Advance from lessee	33,384	34,931
Government subsidies payable to students and teachers	58,552	55,286
Consideration payable for acquisitions (<i>note (b)</i>)	285,420	289,800
Dividend payables	–	64,256
Other payables	161,418	182,429
Accrued expenses	4,575	12,244
Boarding fees refundable to students	–	32,453
	<u>955,878</u>	<u>1,019,916</u>

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

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

Note (b): The amount mainly includes consideration payable for the acquisition of non-controlling interests in Luoyang School amounting to RMB155,420,000 and for the acquisition of Gansu School amounting to RMB80,000,000 in accordance with the acquisition agreements.

15. CONVERTIBLE BONDS

The convertible bonds issued during the year are as follows:

	31 August 2021 RMB'000	31 August 2020 RMB'000
Financial liability at fair value through profit or loss:		
Convertible bonds	<u>646,459</u>	<u>–</u>

16. BUSINESS COMBINATIONS

Beijing Lianhe

As announced on 4 February 2021, the Group acquired the entire interests of Beijing Lianhe Open Education Technology Co., Ltd. in February 2021 from Beijing Daai Enterprise Management Co., Ltd. at a total consideration of RMB2,352,000. Beijing Lianhe has years of experience in the provision of online education related technical services for the establishment, operation and maintenance of online education platform. The acquisition was accounted for using the acquisition method. The purchase consideration was settled in the form of cash in February 2021.

The acquisition will enable the Group to promote collectivised school operation by applying information technology. For the purpose of acquisition of Beijing Lianhe, the Group engaged an external independent appraiser to perform the valuation with the identification and determination of fair values to be assigned to the acquiree's assets and liabilities as at the acquisition date.

The fair values of the identifiable assets and liabilities of Beijing Lianhe as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	9
Right-of-use assets	589
Other intangible assets	410
Cash and bank balances	1,938
Prepayments, other receivables and other assets	3,004
Other payables and accruals	(3,495)
Lease liabilities	(589)
Deferred tax liabilities	(30)
	<hr/>
Total identifiable net assets at fair value	1,836
	<hr/>
Goodwill on acquisition	516
	<hr/>
Satisfied by cash	2,352
	<hr/> <hr/>

Gansu School

As announced on 20 April 2021 by the Company, the Group completed the acquisition of 100% school sponsors' interest in Lanzhou College of Information Science and Technology in April 2021. The school sponsors of Gansu School were Lanzhou University of Technology and Shenzhen Hua Yu Chang International Science and Education Development Co. Ltd. Gansu School has been recognised as advanced unit of employment in ordinary colleges and universities in Gansu province. The total consideration of the acquisition was RMB670,154,000. RMB590,154,000 out of the total consideration was paid as at 31 August 2021 and the remaining of RMB80,000,000 is to be settled within the next twelve months of the balance sheet date. The acquisition was accounted for using the acquisition method.

The acquisition is part of the Group's business strategy to expand school network in regions with significant growth potential in the private higher education sector. Gansu School is a private higher education institution established in the PRC providing undergraduate education. For the purpose of acquisition of Gansu School, the Group engaged an external independent appraiser to perform the valuation with the identification and determination of fair values to be assigned to the acquiree's assets and liabilities as at the acquisition date.

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

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	798,551
Investment properties	106,500
Right-of-use assets	362,958
Other intangible assets	1,966
Cash and bank balances	118,913
Prepayments, other receivables and other assets	7,217
Deferred revenue	(37,174)
Deferred income	(168,715)
Other payables and accruals	(188,796)
Interest-bearing bank and other borrowings	(427,934)
Deferred tax liabilities	(32,653)
	<hr/>
Total identifiable net assets at fair value	540,833
	<hr/>
Goodwill on acquisition	129,321
	<hr/>
Satisfied by cash	590,154
Consideration payable	80,000
	<hr/>
	<u>670,154</u>

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

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

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

	<i>RMB'000</i>
Total cash consideration	(672,506)
Less: Cash consideration payable	<u>(80,000)</u>
Cash consideration paid in 2021	(592,506)
Cash and bank balances acquired	<u>120,851</u>
Net outflow of cash and cash equivalents included in cash flows used in investing activities	<u><u>(471,655)</u></u>

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

17. EVENTS AFTER THE REPORTING PERIOD

- (1) As per the Company's announcement dated 28 September 2021, further to the announcements made in April 2021, the Company updated that the acquisition of Zhengzhou City Vocational College ("Zhengzhou School") at a total consideration of RMB673,516,600 has obtained all applicable approvals from the relevant government authorities and the Group is the sole school sponsor of the Zhengzhou School with effective from 28 September 2021. As the Group is still in the process of assessing the initial accounting for above acquisition, the relevant financial information of Zhengzhou School will be included in the Group's 2022 annual financial statements.
- (2) As per the Company's announcement dated 28 September 2021, the Company made the full redemption of convertible bonds amounted to US\$100,000,000 in accordance with the applicable terms and conditions in relation to the convertible bonds and prior to its maturity due date.
- (3) As per the Company's announcement dated 28 October 2021, the Group will repurchase shares of the Company in the open market, at a maximum aggregate amount of HK\$300,000,000, pursuant to the resolutions passed at the annual general meeting held on 22 January 2021.
- (4) As detailed in the Company's announcement dated 19 November 2021, the Group entered into Shareholders' Agreement (the "Agreement") in relation to the school sponsor's interest in Northeast School. Pursuant to the Agreement, the Group would acquire the remaining 26.09% school sponsor's interest of Northeast School for a total consideration of RMB292,500,000. Upon completion of the acquisition process, the Northeast School will become a wholly-owned subsidiary of the Group.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bei Ai Company”	Beijing Aiyinsheng Education Investment Co., Ltd.* (北京愛因生教育投資有限責任公司), a limited liability company established under the laws of the PRC on 16 October 2012, and wholly owned by Yun Ai Group. Bei Ai Company is the sole sponsor of Gansu School
“Beijing Daai Gaoxue”	Beijing Daai Gaoxue Education Technology Co., Ltd.* (北京大愛高學教育科技有限公司), a limited liability company established in the PRC on 23 March 2018. It is wholly owned by Yun Ai Group
“Beijing Lianhe”	Beijing Lianhe Open Education Technology Co., Ltd.* (北京聯合開放教育科技有限公司), a limited liability company established under the laws of the PRC on 17 June 2014, and an indirect wholly-owned subsidiary of Yun Ai Group
“Beijing New Higher Education”	Beijing New Higher Education Science and Technology Development Co., Ltd.* (北京新高教科技發展有限公司), a company established in the PRC with limited liability and a wholly owned subsidiary of Yun Ai Group
“Board” or “Board of Directors”	the board of Directors of the Company
“Business Cooperation Agreement (2019)”	the business cooperation agreement to be entered into by and among Huihuang Company, the PRC Consolidated Affiliated Entities and the Registered Shareholders
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“Central China School”	Hubei Enshi College (湖北恩施學院), formerly known as Science and Technology College of Hubei Minzu University* (湖北民族大學科技學院), an institution of higher education established under the laws of the PRC in 2003. Central China School is a consolidated affiliated entity of the Company

“China” or “PRC”	the People’s Republic of China excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Company”	China New Higher Education Group Limited (中國新高教集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 8 July 2016
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Daai Consulting”	Daai Consulting Management Co., Ltd. (大愛諮詢管理股份有限公司), a company limited by shares established under the laws of the PRC on 6 May 2015 and owned as to 90% by Mr. Li and 10% by Ms. Yang
“Daai Education”	Beijing Daai Shuren Education Consulting Company Limited* (北京大愛樹人教育諮詢有限公司), a limited liability company established in the PRC on 14 March 2018. It is wholly owned by Yun Ai Group
“Daai Management”	Beijing Daai Enterprise Management Co., Ltd.* (北京大愛企業管理有限公司), a limited liability company established under the laws of the PRC on 18 September 2015 and wholly owned by Daai Consulting
“Director(s)”	the directors of the Company
“Directors’ Powers of Attorney (2019)”	the school directors’ power of attorney to be executed by each of the directors of each PRC Operating Schools
“Enchang Company”	Enshi Autonomous Prefecture Changqing Education Development Co., Ltd.* (恩施自治州常青教育發展有限公司), a limited liability company established under the laws of the PRC on 13 November 2014. It is wholly owned by Yun Ai Group. Enchang Company is the sole sponsor of Central China School
“Equity Pledge Agreement (2019)”	the equity pledge agreement entered into by and among the Registered Shareholders, Yun Ai Group and Huihuang Company
“Exclusive Call Option Agreement (2019)”	the exclusive call option agreement to be entered into by and among Huihuang Company, the PRC Consolidated Affiliated Entities and the Registered Shareholders

“Exclusive Technical Service and Management Consultancy Agreement (2019)”	the exclusive technical service and management consultancy agreement to be entered into by and among Huihuang Company and PRC Consolidated Affiliated Entities
“Gansu School”	Lanzhou College of Information Science and Technology (蘭州信息科技學院), formerly known as College of Technology and Engineering* (蘭州理工大學技術工程學院), an institution of higher education established under the laws of the PRC in 2004
“Group”, “we” or “us”	the Company, its subsidiaries, the PRC Operating Schools and the consolidated affiliated entities from time to time, or, where the context so requires in respect of the period before the Company became the holding company of the present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“Guangxi Schools”	together, Guangxi Yinghua International Occupation College* (廣西英華國際職業學院), Guangxi Qinzhou Yinghua International Occupation and Technology School* (廣西欽州英華國際職業技術學校) and Guangxi Yinghua International Occupation Middle School* (廣西英華國際職業學院附屬中學). Guangxi Schools are consolidated affiliated entities of the Company
“Guangxi School Sponsor”	Qinzhou Yinghua Datang Education Investment Co., Ltd. (欽州英華大唐教育投資有限公司), a limited liability company established under the laws of the PRC on 25 August 2017
“Guizhou School”	Guizhou Technology and Business Institute* (貴州工商職業學院), a private institution of formal higher education established under the laws of the PRC on 3 July 2012, of which the school sponsor’s interest is wholly owned by Yun Ai Group and a consolidated affiliated entity of the Company
“Haxuan Company”	Harbin Xuande Technology Co., Ltd.* (哈爾濱軒德科技有限公司), a limited liability company established under the laws of the PRC on 19 April 2016. Haxuan Company is the sole sponsor of the Northeast School
“Henan Rongyu”	Henan Rongyu Education Consulting Co., Ltd.* (河南榮豫教育諮詢有限公司), a limited liability company established in the PRC on 2 March 2017, and wholly-owned by Beijing Daai Gaoxue. Henan Rongyu is the sole sponsor of the Luoyang School

“HK\$”, “Hong Kong dollar(s)”, “HKD” or “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Huihuang Company”	Tibet Daai Huihuang Information and Technology Co., Ltd.* (西藏大愛輝煌信息科技有限公司), a limited liability company established on 5 August 2016 under the laws of the PRC, which is a wholly owned subsidiary of the Group
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Loan Agreement (2019)”	a loan agreement to be entered into by and among Huihuang Company, the PRC Operating Schools, and Yun Ai Group
“Luoyang School”	Luoyang Science and Technology Vocational College* (洛陽科技職業學院), a private institution of formal higher education established under the laws of the PRC in June 2013. Luoyang School is a consolidated affiliated entity of the Company
“Mr. Li”	Mr. Li Xiaoxuan (李孝軒), the founder, one of the controlling shareholders, chairman of the Board and an executive Director of the Company
“MOE”	the Ministry of Education of the PRC
“Ms. Yang”	Ms. Yang Xuqing (楊旭青), the spouse of Mr. Li
“Northeast School”	Harbin Huade University * (哈爾濱華德學院), a private institute of higher education established under the laws of the PRC in 2004. Northeast School is a consolidated affiliated entity of the Company
“Ningde Company”	Ningbo Meishan Bonded Port Area Deshida Investment Partnership (Limited Partnership)* (寧波梅山保稅港區德士達投資合夥企業(有限合夥))
“PRC Consolidated Affiliated Entities”	namely, the School Sponsors and the PRC Operating Schools, each a consolidated affiliated entity of the Company and other investment holding companies which were consolidated to the Group by virtue of the Structured Contracts, as amended from time to time

“PRC Legal Advisors”	Commerce & Finance Law Offices, the Company’s Legal advisors as to PRC Laws
“PRC Operating Schools”	the consolidated affiliated entities, namely, Yunnan School, Guizhou School, Gansu School, Luoyang School, Northeast School, Guangxi Schools and Central China School and other schools which were consolidated to the Group by virtue of the Structured Contracts
“Qinzhou Yinghua”	Qinzhou Yinghua Datang Education Investment Company Limited* (欽州英華大唐教育投資有限公司), a limited liability company established under the laws of the PRC on 25 August 2017 and wholly owned by Songming Xinju. Qinzhou Yinghua is the sole sponsor of the Guangxi Schools
“Registered Shareholders”	the shareholders of Yun Ai Group immediately after the completion of the equity transfer agreement, namely Kunming Paiduipai Economic Information Consultancy Co., Ltd., Kunming Bamupu Technology Co., Ltd., Songming Dexue and Songming Zhongyi Enterprise Management and Consulting Services Co., Ltd.
“RMB” or “Renminbi”	Renminbi, the lawful currency for the time being of the PRC
“School Sponsors”	the current school sponsors, Yun Ai Group, Henan Rongyu, Haxuan Company, Qinzhou Yinghua, Enchang Company, Zhengzhou New Higher Education, Bei Ai Company, and other school sponsors which were consolidated to the Group by virtue of the Structured Contracts
“School Sponsors’ and Directors’ Rights Entrustment Agreement (2019)”	the school sponsors’ and directors’ rights entrustment agreement entered into by and among School Sponsors, the PRC Operating Schools, the relevant directors appointed by the School Sponsors and Huihuang Company
“School Sponsors’ Powers of Attorney (2019)”	the school sponsors’ power of attorney executed by the School Sponsors in favor of Huihuang Company
“SFO”	Securities and Futures Ordinance
“Share(s)”	ordinary share(s) of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Shareholders’ Powers of Attorney (2019)”	the shareholders’ power of attorney executed by the Registered Shareholders and Yun Ai Group and other shareholders which were consolidated to the Group by virtue of the Structured Contracts in favor of Huihuang Company
“Share Repurchase Mandate”	The general mandate given to the Directors to repurchase the Shares not exceeding 10% of the total number of the issued Shares as at 22 January 2021 pursuant to the resolutions of the Shareholders passed at the annual general meeting of the Company held on 22 January 2021
“Shareholders’ Rights Entrustment Agreement (2019)”	the shareholders’ rights entrustment agreement entered into by and among the Registered Shareholders, the School Sponsors and Huihuang Company
“Songming Dexue”	Songming Dexue Education Development Co., Ltd.* (嵩明德學教育發展有限公司), a limited liability company established under the laws of the PRC on 17 April 2019 and wholly owned by Mr. Li. Songming Dexue is one of the Registered Shareholders and owns 70.8305% equity interest of Yun Ai Group
“Songming Xinju”	Songming Xinju Enterprise Management Company Limited* (嵩明新巨企業管理有限公司), a limited liability company established under the laws of the PRC on 27 October 2016
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Spouse’s Undertakings (2019)”	the spouse undertakings executed by Ms. Yang, the spouse of Mr. Li

“Structured Contracts”	collectively, the Business Cooperation Agreement (2019), the Exclusive Technical Service and Management Consultancy Agreement (2019), the Exclusive Call Option Agreement (2019), the Equity Pledge Agreement (2019), the Shareholders’ Rights Entrustment Agreement (2019), the School Sponsor’s and Directors’ Rights Entrustment Agreement (2019), the School Sponsors’ Powers of Attorney (2019), the Directors’ Powers of Attorney (2019), the Shareholders’ Powers of Attorney (2019), the Loan Agreement (2019) and the Spouse’s Undertakings (2019), and the various supplemental agreements entered into their connection, further details of which are set out in the announcements of the Company dated 26 August 2019, 6 December 2019, 8 May 2020, 29 July 2020, 27 August 2020, 4 February 2021, 20 April 2021, 25 May 2021, 28 September 2021 and 19 November 2021
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“USD” or “U.S.\$”	United States dollars, the lawful currency of the United States
“Yun Ai Group”	Yunnan Einsun Education Investment Group Co., Ltd.* (雲南愛因森教育投資集團有限公司), a limited liability company established under the laws of the PRC on 19 September 2005, which is owned as to 20.0568% by Kunming Paiduipai Economic Information Consultancy Co., Ltd., 5.7305% by Kunming Bamupu Technology Co., Ltd., 70.8305% by Songming Dexue and 3.3822% by Songming Zhongyi Enterprise Management and Consulting Services Co., Ltd.
“Yunnan School”	Yunnan Technology and Business University* (雲南工商學院) (formerly known as Yunnan Einsun Software Vocational College * (雲南愛因森軟件職業學院) (“Software College”)), a private institution of formal higher education established under the laws of the PRC in 2005, of which the school sponsor’s interest is wholly owned by Yun Ai Group and a consolidated affiliated entity of the Company

“Yunnan Vocational School”	Einsun Science and Technology Vocational College* (雲南愛因森科技專修學院)
“Zhengzhou New Higher Education”	Zhengzhou New Higher Education Technology Limited* (鄭州新高教教育科技有限公司), a company established in the PRC with limited liability, an indirect wholly-owned subsidiary of Yun Ai Group and the sole sponsor of Zhengzhou School
“Zhengzhou School”	Zhengzhou City Vocational College* (鄭州城市職業學院), a private higher vocational college located in Zhengzhou, Henan Province, the PRC
“%”	percent

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

Hong Kong, 30 November 2021

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