

YINCHUAN BN VOCATIONAL SCHOOL

Independent Auditor's Report and Financial Information
For the year ended 31 August 2020

YINCHUAN BN VOCATIONAL SCHOOL

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 AUGUST 2020

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DTT(A)(20)I00175

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF YINCHUAN BN VOCATIONAL SCHOOL

(A non-profit organization established in the People's Republic of China)

Opinion

We have audited the financial information of Yinchuan BN Vocational School (the "School") set out on pages 4 to 16, which comprises the statement of financial position as at 31 August 2020 and the statement of comprehensive income, the statement of changes in reserves and the statement of cash flows for the year ended 31 August 2020, and notes to the financial information, including a summary of significant accounting policies (together "the Financial Information").

In our opinion, the Financial Information for the year ended 31 August 2020 is prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Financial Information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Information section of our report. We are independent of the School in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Restriction on Distribution and Use

We draw attention to note 2 to the financial information, which indicates that the financial information is prepared solely for the information of the Board of the School. As a result, the financial information may not be suitable for another purpose. Our opinion is not modified in respect of this matter. Our report is intended solely for the Board of the School and should not be distributed to or used by parties other than the School without our prior written consent. All duties and liabilities (including, without limitation, those arising from negligence or otherwise) to any other parties are specifically disclaimed.



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INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF YINCHUAN BN VOCATIONAL SCHOOL - continued
(A non-profit organization established in the People's Republic of China)

Responsibilities of Management and Those Charged with Governance for the Financial Information

The management of the School is responsible for the preparation and presentation of the Financial Information in accordance with the basis of preparation set out in note 2 to the Financial Information, and for such internal control as the management of the School determines is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the School's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial information.

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

- Identify and assess the risks of material misstatement of the financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management of the School.

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF YINCHUAN BN VOCATIONAL SCHOOL - continued

(A non-profit organization established in the People's Republic of China)

Auditor's Responsibilities for the Audit of the Financial Information - continued

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the School's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the School to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information, including the disclosures, and whether the financial information represent the underlying transactions and events in a manner that achieves fair presentation.

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

Deloitte Touche Tohmatsu Certified Public Accountants LLP

Deloitte Touche Tohmatsu Certified Public Accountants LLP

22 October 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2020
(Expressed in RMB)

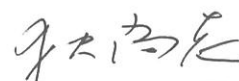
	Notes	Year ended 31 August 2020	Year ended 31 August 2019
Total contributions	5	1,361,400	2,059,505
Operating expenditure			
Salaries and social securities	6	(546,002)	(910,120)
Student costs		(518,262)	(794,847)
Teaching costs		(384,249)	(441,438)
Depreciation		(18,389)	(18,980)
Administrative costs		(6,930)	(5,886)
Repair and maintenance		-	(70,924)
Total operating expenditure		(1,473,832)	(2,242,195)
Net Deficit of operating activities		(112,432)	(182,690)
Government grants		75,000	150,000
Interest income		403	566
Deficit for the year		(37,029)	(32,124)

The notes on pages 8 to 16 form part of the financial information.

The financial information from pages 4 to 16 is approved and authorised for issue by the Board of Governors, and signed on its behalf by:



Board Chairperson of the School



Person in charge of finance

YINCHUAN BN VOCATIONAL SCHOOL

STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2020
(Expressed in RMB)

		At 31 August	
	Notes	2020	2019
Current assets			
Cash and bank balances	7	48,304	72,247
Account receivables		-	1,900
Other receivables		7,528	-
Inventories	8	2,920	44
Total current assets		58,752	74,191
Non-current assets			
Property, plant and equipment	9	42,618	61,007
Total non-current assets		42,618	61,007
Total assets		101,370	135,198
Current liabilities			
Other payables	10	81,987	78,786
Total current liabilities		81,987	78,786
Total liabilities		81,987	78,786
Reserves		19,383	56,412
Total liabilities and reserves		101,370	135,198

The notes on pages 8 to 16 form part of the financial information.

YINCHUAN BN VOCATIONAL SCHOOL

STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 AUGUST 2020
(Expressed in RMB)

	<u>Total reserves</u>
Balance at 1 September 2018	88,536
Deficit for the year	<u>(32,124)</u>
Balance at 31 August 2019	56,412
Deficit for the year	<u>(37,029)</u>
Balance at 31 August 2020	<u><u>19,383</u></u>

The notes on pages 8 to 16 form part of the financial information.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2020
(Expressed in RMB)

	Note	Year ended 31 August 2020	Year ended 31 August 2019
Cash from operating activities			
Deficit for the period		(37,029)	(32,124)
Adjustments for:			
Depreciation		18,389	18,980
Interest income		(403)	(566)
Net cash outflow from operations before working capital movements		(19,043)	(13,710)
Working capital movements:			
Decrease/ (increase) in account receivables		1,900	(1,900)
(Increase)/decrease in other receivables		(7,528)	1,435
(Increase)/decrease in inventories		(2,876)	6,420
Increase/ (decrease) in other payables		3,201	(652)
Net cash used in operating activities		(24,346)	(8,407)
Cash flows from investing activities			
Interest received		403	566
Net cash generated from investing activities		403	566
Net decrease in cash and cash equivalents		(23,943)	(7,841)
Cash and cash equivalents at beginning of the fiscal year		72,247	80,088
Cash and cash equivalents at end of the fiscal year	7	48,304	72,247

The notes on pages 8 to 16 form part of the financial information.

NOTES TO FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 AUGUST 2020
(Expressed in RMB)

1. GENERAL

Yinchuan BN Vocational School (银川百年农工子弟职业学校, the "School") is a non-profit organization, founded in Yinchuan, People's Republic of China ("PRC"), which is supported by Ningxia Youth Development Foundation ("NYDF"), Yinchuan Vocational Education Center ("YVEC"), and Beijing BN Vocational School (北京百年农工子弟职业学校, the "Beijing BNVS"). The premise of the School is subsidized by Ningxia Communist Youth League free of charge. The School started operation on 10 August 2012, obtained the registration certificate (Ning Min Zheng Zi No. 060240) from the Department of Civil Affairs in the Ningxia Hui Autonomous Region on 20 November 2012 and a qualification of middle level vocational education and license of non-government school from Committee of Education of Yinchuan on 25 October 2012. The School updated its certificate on 19 May 2016 (No. 52640000MJX165760P).

The principal activity of the School is to provide three-year education programs free of charge to the young people from low-income families, and to help these young people become highly skilled employees to meet the current and future needs of cities for a skilled workforce from 1 September 2016. The School provided two-year programs before 1 September 2016.

2. BASIS OF PREPARATION

The School maintains its accounting records and prepares its statutory financial statements for each calendar year in accordance with accounting standards and regulations of the PRC which are applicable to the School.

The Financial Information which comprises the statement of financial position as at 31 August 2020 and the statement of comprehensive income, the statement of changes in reserves and the statement of cash flows for the year ended 31 August 2020, and notes to the financial information, including a summary of significant accounting policies (together "the Financial Information") has been prepared solely for the information of the Board of the School. The School has prepared the Financial Information in accordance with accounting policies set out in note 4. These accounting policies are applied in accordance with International Financial Reporting Standards (IFRSs). Currently, the IFRSs do not contain specific guidelines for non-profit and non-governmental organizations concerning the accounting treatment and presentation of financial statements. Where the IFRSs are silent or do not give guidance on how to treat transactions specific to the not-for-profit sector, accounting policies have been based on the general IFRS principles, as detailed in the Conceptual Framework for Financial Reporting issued by the International Accounting Standards Board.

Different from its statutory financial statements, the period of accompanying Financial Information is from 1 September 2019 to 31 August 2020.

The Financial Information is presented in Renminbi ("RMB"), which is the functional and presentation currency of the School.

NOTES TO FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 AUGUST 2020
(Expressed in RMB)

3. APPLICATION OF ACCOUNTING POLICIES IN ACCORDANCE WITH NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

3.1 Application of accounting policies in accordance with new and revised standards, amendments and interpretations (new and revised IFRSs).

As of 31 August 2020, there are no new and revised IFRSs have become effective.

3.2 New and revised IFRSs issued but not yet effective

The School has not early applied its accounting policies in accordance with the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to IFRS 3	Reference to the Conceptual Framework ²
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁴
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020 ²
Amendments to IFRS 3	Definition of a Business ⁵
Amendments to IAS 1 and IAS 8	Definition of Material ⁶
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform ⁶
Amendment to IFRS 16	Covid-19-Related Rent Concessions ⁷

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2021

⁵ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁶ Effective for annual periods beginning on or after 1 January 2020

⁷ Effective for annual periods beginning on or after 1 June 2020

The School anticipates that the adoption of these new and revised IFRSs in future years will have no material financial impact on the Financial Information of the School.

NOTES TO FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 AUGUST 2020
(Expressed in RMB)

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis and in accordance with the following accounting policies which are applied in accordance with International Financial Reporting Standards.

Contributions

Cash contributions are recognized at the date of receipt of cash or when NYDF/Beijing BNVS confirms the amount of contribution.

Contributions of property, plant and equipment and inventory are recognized on the date of receipt at fair value if the objective evidence on the fair value is available. When the fair values of contribution in kind are not available, the School will not assign any value to these contributions but will keep a record of these contributions. After initial recognition, contribution in kind recognized as property, plant and equipment and inventory will follow the respective accounting policy of property, plant and equipment and inventory as set out in this note.

Contributions of service are recognized on the date of receipt of the service and are reported as equal contributions and expenditure in the statement of comprehensive income, if the objective evidence on the fair value is readily available.

Government grants

Government grants are not recognised until there is reasonable assurance that the School will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the School recognises as expenses the related costs for which the grants are intended to compensate.

Interest income

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable.

Foreign currency

For cash contributions made in foreign currencies, the School exchanges the contributions into equivalent amount of RMB on the date when the contribution is received at the quoted exchange rate for the day.

Cost

Costs including student costs, teaching costs, administrative costs and other costs are recognized when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

NOTES TO FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 AUGUST 2020
(Expressed in RMB)

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation

According to PRC Enterprise Income Tax Law, the income derived from a qualified non-profit organization is non-taxable. Based on Circular 13 issued jointly by the Chinese Ministry of Finance and the State Administration of Taxation (Cai Shui [2018] No. 13) on 7 February 2018, the non-profit organization should obtain the approval of such qualification from the Tax Bureau.

Although the School's application for Enterprise Income Tax exemption is in process, the Board believes that the School has satisfied all requirements for such qualification, and therefore deemed all contribution income as non-taxable.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investment, which is readily convertible into known amounts of cash and are subject to insignificant risk of change in value.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The School's financial assets are classified into amortized cost.

Impairment of financial assets

The School applies the IFRS 9 simplified approach to measure expected credit losses ("ECL") which uses a lifetime ECL for all accounts receivable. To measure the ECL, accounts receivable have been assessed individually with outstanding significant balances, the remaining balances have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortized cost mainly comprise of bank balances, other receivables and prepayments. They are measured on 12m ECL basis as there had been no significant increase in credit risk since initial recognition.

Financial liabilities

Financial liabilities at amortized cost

NOTES TO FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 AUGUST 2020
(Expressed in RMB)

Financial liabilities including other payables are subsequently measured at amortized cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial liabilities - continued

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

Financial liabilities at amortized cost are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Inventories

Inventories are recorded at lower of cost and net realisable value. The cost of inventories is based on the "first-in first-out" principle.

Property, plant and equipment

Property, plant and equipment are stated at costs less subsequent accumulated depreciation and accumulated impairment losses.

Impairment loss is recognized to the extent the carrying value exceeds the expected recoverable amount, which is higher of fair value less costs of disposal and value in use.

Depreciation is calculated using the straight-line method so as to depreciate the initial cost, after taking into account of the estimated residual value, over the item's useful life, which is as follows:

<u>Classes</u>	<u>Useful lives</u>	<u>Estimated residual value rates</u>	<u>Annual depreciation rates</u>
Equipment and vehicles	3 - 8 years	3%	12.13% - 32.33%

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculation as the difference between the net disposal proceeds and the carrying amount of the item) is recognised in profit or loss in the period in which the item is derecognized.

Reserves

Reserves represent the cumulative excess of income from contributions and other income over operating expenditure.

NOTES TO FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 AUGUST 2020
(Expressed in RMB)

5. CONTRIBUTIONS

	Year ended 31 August 2020 RMB	Year ended 31 August 2019 RMB
Cash contributions	1,361,400	2,059,505
Total contributions	<u>1,361,400</u>	<u>2,059,505</u>

6. SALARIES AND SOCIAL SECURITIES

	Year ended 31 August 2020 RMB	Year ended 31 August 2019 RMB
Salaries	459,840	792,925
Social securities	86,162	117,195
Total salaries and social securities	<u>546,002</u>	<u>910,120</u>

7. CASH AND BANK BALANCES

	As at 31 August	
	<u>2020</u> RMB	<u>2019</u> RMB
Cash on hand	-	1,831
Cash at banks	48,304	70,416
Total cash and bank balances	<u>48,304</u>	<u>72,247</u>

Cash at banks consist of interest bearing deposits at market rate 0.30% (31/08/2019: 0.30%).

For the purpose of the statement of cash flows, cash and cash equivalents at the end of the reporting year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	As at 31 August	
	<u>2020</u> RMB	<u>2019</u> RMB
Cash on hand	-	1,831
Cash at banks	48,304	70,416
Less: time deposit with maturity over 3 months	-	-
Total cash and cash equivalents	<u>48,304</u>	<u>72,247</u>

NOTES TO FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 AUGUST 2020
(Expressed in RMB)

8. INVENTORIES

	As at 31 August	
	<u>2020</u>	<u>2019</u>
	RMB	RMB
Purchased:		
Cleaning items	2,546	-
Lab instruments	330	-
Uniforms	44	44
Total inventories	<u>2,920</u>	<u>44</u>

9. PROPERTY, PLANT AND EQUIPMENT

	<u>Equipment and vehicles</u>	<u>Total</u>
	RMB	RMB
COST		
Balance at 1 September 2018	361,891	361,891
Balance at 31 August 2019	361,891	361,891
Balance at 31 August 2020	361,891	361,891
DEPRECIATION		
Balance at 1 September 2018	(281,904)	(281,904)
Depreciation charges	(18,980)	(18,980)
Balance at 31 August 2019	(300,884)	(300,884)
Depreciation charges	(18,389)	(18,389)
Balance at 31 August 2020	(319,273)	(319,273)
CARRYING VALUES		
Balance at 31 August 2019	61,007	61,007
Balance at 31 August 2020	42,618	42,618

10. OTHER PAYABLES

	As at 31 August	
	<u>2020</u>	<u>2019</u>
	RMB	RMB
Salaries and social securities	40,029	41,134
Others	41,958	37,652
Total other payables	<u>81,987</u>	<u>78,786</u>

NOTES TO FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 AUGUST 2020
(Expressed in RMB)

11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Foreign currency risk

The School is not exposed to significant fluctuations in foreign currency exchange rates as most of contributions are from Beijing BNVS and denominated in RMB.

(b) Credit risk

The School has a treasury policy which focuses on security of cash and bank balances. Those are held in banks with high credit ranking. Thus, the School is not exposed to significant credit risk.

(c) Liquidity risk

The School's objective is to strike a balance between continuity of funding and flexibility by maintaining sufficient funds as cash on hand, demand deposits or short-term deposits with maturities of one year or less to meet short-term liabilities. Therefore, the School is not exposed to significant liquidity risk.

12. RELATED PARTIES

(a) Identification of related parties

The School is supported by NYDF, Beijing BNVS and YVEC which are identified as related parties.

Fellow schools that have the same supreme governing body (the Board) are identified as related parties.

The Board of the School and key management personnel are persons who have authorities and responsibilities for planning, directing and controlling the activities of the School. Related parties are the Board members, senior management, as well as close members of their families or households.

NOTES TO FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 AUGUST 2020
(Expressed in RMB)

12. RELATED PARTIES - continued

(b) Transactions with related parties

The School has entered into the following transactions with related parties:

	Year ended 31 August 2020 RMB	Year ended 31 August 2019 RMB
Cash contributions from Beijing BNVS	1,345,250	1,948,755
Cash contributions from NYDF	<u>16,150</u>	<u>110,750</u>

There were no transactions with the key management personnel during the year ended 31 August 2020 or the year ended 31 August 2019.

(c) Remuneration

None of the members under (a) above received remuneration from the School during the year ended 31 August 2020, nor the year ended 31 August 2019.

13. APPROVAL OF FINANCIAL INFORMATION

The Financial Information was approved and authorized for issue by the Board on 22 October 2020.
