Oriental
University City
东方大學城

ANNUAL REPORT
2019
年報

Oriental University City Holdings (H.K.) Limited
東方大學城控股（香港）有限公司
(incorporated in Hong Kong with limited liability)
（於香港註冊成立之有限公司）
Stock code（股票代號）：**8067**

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*This report, for which the directors of Oriental University City Holdings (H.K.) Limited (the "**Company**" and the "**Directors**", respectively) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chew Hua Seng *(Chairman)*
Mr. Liu Ying Chun *(Chief Executive Officer)*

Independent Non-executive Directors

Mr. Lam Bing Lun, Philip
Mr. Tan Yeow Hiang, Kenneth
Mr. Wilson Teh Boon Piaw
Mr. Guo Shaozeng

COMPANY SECRETARY

Sir Kwok Siu Man KR, *FCIS, FCS*

COMPLIANCE OFFICER

Mr. Liu Ying Chun

AUTHORISED REPRESENTATIVES

Mr. Chew Hua Seng
Mr. Liu Ying Chun

AUDIT COMMITTEE

Mr. Lam Bing Lun, Philip *(Chairman)*
Mr. Tan Yeow Hiang, Kenneth
Mr. Guo Shaozeng

REMUNERATION COMMITTEE

Mr. Wilson Teh Boon Piaw *(Chairman)*
Mr. Chew Hua Seng
Mr. Tan Yeow Hiang, Kenneth

NOMINATION COMMITTEE

Mr. Guo Shaozeng *(Chairman)*
Mr. Chew Hua Seng
Mr. Lam Bing Lun, Philip
Mr. Wilson Teh Boon Piaw

RISK MANAGEMENT COMMITTEE

Mr. Tan Yeow Hiang, Kenneth *(Chairman)*
Mr. Liu Ying Chun
Mr. Wilson Teh Boon Piaw

STOCK CODE/BOARD LOTS

8067/1,000

COMPANY'S WEBSITE

www.oriental-university-city.com

INDEPENDENT AUDITOR

BDO Limited
Certified Public Accountants

REGISTERED OFFICE

31st Floor
148 Electric Road
North Point
Hong Kong

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC")

Levels 1 and 2
100 Zhangheng Road
Oriental University City
Langfang Economic & Technological Development Zone
Hebei Province 065001
The PRC

SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F
148 Electric Road
North Point
Hong Kong

PRINCIPAL BANKERS

United Overseas Bank Limited (Hong Kong Branch)
Bank of Langfang (Development Zone Sub-branch)
Industrial and Commercial Bank of China
(Langfang Chaoyang Sub-branch)
Langfang City Suburban Rural Credit Cooperatives
(Tongbai Credit Union)

LEGAL ADVISOR

As to PRC law
Hebei Ruoshi Law Firm

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Oriental University City Holdings (H.K.) Limited (the "**Company**", and together with its subsidiaries, the "**Group**"), I hereby present to our shareholders (the "**Shareholders**") the annual report of the Company for the financial year ended June 30, 2019 (the "**Year**").

Looking back at the Year, the Group's leasing revenue maintained a continuous steady growth. The Group recorded a revenue of approximately RMB76.5 million for the Year, representing an increase of approximately 13.6% as compared with the revenue for the financial year ended June 30, 2018 (the "**Previous Year**"). The increase was mainly attributable to the increase in unit rental price of the education facilities of the Group.

The Group's operating profit decreased to approximately RMB46.6 million for the Year, compared to approximately RMB222.2 million in the Previous Year. The decrease in net profit was primarily due to the fair value of the Group's land and buildings in Langfang City, Hebei Province, the People's Republic of China (the "**PRC**") having increased less significantly than the Previous Year.

On August 29, 2018, the Company entered into an agreement with Raffles Education Corporation Limited, a controlling shareholder of the Company, to acquire certain properties situated at Oriental University City, Langfang Economic and Technological Development Zone, Langfang City, Hebei Province, the PRC at a consideration of RMB252,370,000. As the Langfang City is located a mere 26 kilometres from the new Beijing airport, known as Beijing Daxing International Airport (北京大興國際機場), which is slated to commence operation in September 2019, the Board strongly believe that this acquisition will benefit the Company tremendously and will go a long way to expand and strengthen its core business.

On behalf of the Board, a warm welcome to our newest Board member, Mr. Guo Shaozeng who was appointed effective from December 20, 2018. His well-established business acumen and invaluable experience will certainly be an asset to the Group.

I would like to extend my deep appreciation to my fellow Board members for their wise counsel.

On behalf of the Board, we would like to express our gratitude to our staff for their dedication and commitment and to our Shareholders, tenants, business associates, consultants and all other stakeholders for their support.

Together with Management, we remain committed in generating returns to our Shareholders.

Chew Hua Seng
Chairman

August 16, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our leasing revenue increased by 13.6% to RMB76.5 million for the year ended June 30, 2019 (the "**Year**") compared to RMB67.3 million in 2018. This increase was mainly attributable to the increase of unit rental price of the colleges, universities, schools, education training centres and corporate entities (the "**Contract Colleges**") that lease education facilities from the Company and its subsidiaries (the "**Group**").

Operating profit

Our operating profit for the Year was RMB46.6 million compared to RMB222.2 million in 2018, and the decrease was mainly due to the following reasons:

1) *Fair value gains on investment properties*

   Fair value gains on investment properties decreased to RMB5.3 million for the Year compared to RMB170.4 million in 2018. This decrease was mainly due to the fact that the fair value of land and buildings in Langfang City, the People's Republic of China (the "**PRC**") has increased less significantly during the Year.

2) *Employee costs*

   Employee costs increased by 19.6% to RMB3.0 million for the Year compared to RMB2.5 million in 2018 due to an increase in the number of staff.

3) *Business tax and surcharges*

   Business taxes and surcharges increased by 17.6% to RMB0.4 million for the Year from RMB0.3 million for 2018 due to an increase in revenue for the Year.

4) *Property taxes and land use taxes*

   Property taxes and land use taxes increased to RMB12.6 million for the Year from RMB12.1 million for 2018. This was due to an increase in the space of leasing facilities.

5) *Property management fee*

Property management fee increased to RMB6.9 million for the Year from RMB6.4 million for 2018. This was due to an increase in the space of leasing facilities that gave rise to higher property management fee.

6) *Repairs and maintenance fee*

Repairs and maintenance fee increased by 21.4% to RMB1.5 million for the Year compared to RMB1.3 million in 2018, which was incurred for prevention of wear and tear besides routine repairs of equipment and building facilities.

7) *Legal and consulting fees*

Legal and consulting fees increased by 8.2% to RMB4.4 million for the Year compared to RMB4.1 million in 2018, mainly due to such fees arising from the proposed acquisition of properties.

8) *Other (losses)/gains, net*

We recorded other losses of approximately RMB0.5 million for the Year primarily caused by fluctuations of exchange rate between Renminbi ("**RMB**") and Singapore dollar.

9) *Share of results of associates*

Share of results of associates turned to a loss of RMB2.0 million for the Year compared to a gain of RMB9.0 million in 2018 mainly due to the fact that our associate company Axiom Properties Limited had a one-off gain on selling one of its assets, Churchill Centre North, a shopping centre in Adelaide, Australia in 2018.

10) *Income tax expenses*

We incurred RMB6.2 million of corporate income tax and RMB9.0 million deferred tax expense for the Year. The increase in the corporate income tax expense for the Year compared to 2018 of RMB4.3 million was due to an increase in the taxable profit for the Year. The decrease in the deferred tax expense for the Year compared to that of RMB51.1 million in 2018 was due to the increase in fair value of investment properties in a lesser extent for the Year compared to 2018.

Net Profit

Due to the foregoing factors, our net profit for the Year was RMB31.5 million compared to RMB164.7 million in 2018.

Liquidity and Financial Resources

The Group has successfully obtained an overdraft facility of RM18 million (equivalent to RMB29,842,000) from a commercial bank in Malaysia in July 2019.

As at June 30, 2019, the Group had total assets of approximately RMB1,327.1 million, which were financed by total liabilities and equity attributable to the owner of the Company of approximately RMB162.2 million and RMB1,155.0 million, respectively. The Group's current ratio (calculated by current assets divided by current liabilities) decreased to 1.0 as at June 30, 2019 from 1.4 as at June 30, 2018.

Gearing Ratio

The Group's gearing ratio as at June 30, 2019 is 1.3% (June 30, 2018: about 1.5%), which is calculated based on the total bank borrowings (amounting to RMB14.9 million) divided by total equity value as at the respective reporting dates.

Cash and Cash Equivalents

The Group places a high emphasis on risk management, safety and liquidity. Cash in excess of daily operational requirement are placed in fixed deposits. The Group currently does not invest in bonds, bills, structured products or any other financial instruments. As at June 30, 2019, the Group had cash and cash equivalents balance of approximately RMB2.2 million (June 30, 2018: RMB26.6 million). The cash and cash equivalents were mainly denominated in RMB.

Foreign Exchange Hedging

The Group has limited foreign currency risk as most of the transactions are denominated in RMB as the functional currency of the operations. Thus, the Group presently does not make any foreign exchange hedging. However, the directors of the Company (the "**Directors**") monitor the Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currency, consider adopting a significant foreign currency hedging policy in the future, if necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

We own and lease education facilities, comprising primarily teaching buildings and dormitories to education institutions in the PRC and Malaysia. All of the Group's existing education facilities are located in Oriental University City, Langfang City, Hebei Province, the PRC and Kuala Lumpur, Malaysia, respectively.

In order to serve the daily needs of students, the Group also leases commercial spaces to tenants operating a range of supporting facilities, including grocery stores, laundry shops, internet cafes and canteens.

In general, we expect the resident student population of our Contract Colleges and the revenue to be generated from commercial leasing to remain relatively stable in the coming year.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL COMMITMENT

Save as disclosed in the section headed "**Material acquisition or disposal of subsidiaries, associates and joint ventures**" below, as at June 30, 2019, the Group did not hold any significant investment, and had no material capital commitments and no future plans for material investments or purchase of capital assets.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On August 29, 2018, the Company, as the purchaser, 廊坊開發區東方大學城教育諮詢有限公司 (Langfang Development Zone Oriental University City Education Consultancy Co., Ltd.*) (the "**Langfang Development Zone**") (a subsidiary of the Company), 廊坊通慧教育諮詢有限公司 (Langfang Tonghui Education Consultancy Co., Ltd.*) ("**TongHui**") (a subsidiary of Raffles Education Corporation Limited ("**REC**")) and REC (the holding company of the Company) (the "**Seller**") entered into a sale and purchase agreement (the "**Original SPA**"), pursuant to which the Seller had conditionally agreed to sell and the Company had conditionally agreed to acquire the properties (being part of Zhuyun Education Land, situated at Oriental University City, Langfang Economic and Technological Development Zone, Langfang City, Hebei Province, the PRC) at a consideration of RMB252,370,000 (the "**Acquisition**").

A general meeting of the Company was held on December 20, 2018 to approve the Acquisition. Please refer to the Company's announcements dated August 29, September 3, September 13, October 31 and December 20, 2018 and circular dated November 29, 2018 for more details.

* The English name of the company represents the best effort made by management of the Company in translating its Chinese name as it does not have any official English name.

The Company on December 31, 2018 and January 21, 2019, respectively executed (i) an addendum to the Original SPA and agreed to extend the long stop date to June 30, 2019; and (ii) an addendum to revise certain terms of the Original SPA. Please refer to the Company's announcements dated December 31, 2018 and January 21, 2019 for more details.

On June 13, 2019, the Company, Langfang Development Zone, TongHui and the Seller entered into a supplemental agreement to amend certain terms of the Original SPA (the "**Supplemental Agreement**"). A general meeting of the Company will be held on a date to be announced to approve the Acquisition and the Supplemental Agreement. Please refer to the Company's announcements dated June 13, June 28 and July 23, 2019 respectively for more details.

CONTINUING CONNECTED TRANSACTION

Reference is made to the announcements of the Company dated May 30, June 5 and July 7, 2016 and the circular of the Company dated June 20, 2016, whereby it was disclosed that OUC Malaysia Sdn. Bhd. ("**OUC Malaysia**"), a direct wholly-owned subsidiary of the Company, entered into acquisition agreements with the former landlord Ms. Doris Chung Gim Lian ("**Ms. Chung**"), the wife of Mr. Chew Hua Seng ("**Mr. Chew**") (the chairman of the board of Directors (the "**Chairman**") and an executive Director) and Evergreen Plus Sdn. Bhd. for the purchase of the properties in Malaysia. Upon completion of the acquisition, OUC Malaysia has been the landlord of the above properties. The tenancy agreements (the "**Tenancy Agreements**") were signed between the former landlords with Raffles College of Higher Education Sdn. Bhd. ("**Raffles College**"), a company owned as to 70% by REC which is the immediate holding company of the Company, as tenant for the lease of the properties for a term of three years commencing on January 1, 2016 and expiring on December 31, 2018.

As the Tenancy Agreements expired on December 31, 2018, OUC Malaysia, as landlord, entered into a tenancy agreement with Raffles College, as tenant, on December 18, 2018 for the lease of the properties for a term of three years commencing on January 1, 2019 and expiring on December 31, 2021. Please refer to the Company's announcements dated December 18 and December 19, 2018 for more details.

CHARGE ON GROUP'S ASSETS

As at June 30, 2019, investment properties of RMB75,269,000 (June 30, 2018: RMB74,102,000) were pledged to secure banking facilities granted to the Group.

CAPITAL STRUCTURE

There was no change in the capital structure of the Group as at June 30, 2019 as compared with that as at June 30, 2018.

CONTINGENT LIABILITIES

As at June 30, 2019, the Group and the Company did not have any significant contingent liabilities (June 30, 2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2019, the Group had a total of 23 full-time employees in the PRC, all of which were located in Langfang City, Hebei Province, the PRC (June 30, 2018: 17). The Group's total employee costs were approximately RMB3.0 million for the Year (June 30, 2018: RMB2.5 million). The employees' remuneration is determined by reference to the market salary of their respective experience and performance. The Company provides training to its employees to improve and upgrade their management and professional skills. As required by the PRC social security regulations, the Company makes contributions to mandatory social security funds for its employees to provide for their retirement and provides medical, unemployment, work-related injury and maternity benefits. The Company has adopted a share option scheme to provide an incentive to the Directors and eligible employees.

USE OF PROCEEDS FROM THE COMPANY'S PLACING

The net proceeds received by the Company from the listing on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM**") by way of a placing of 45,000,000 ordinary shares of the Company at a price of HK$2.64 each on January 16, 2015 (the "**Placing**"), after deducting the amounts due to REC for listing expenses as set out in the prospectus of the Company dated December 31, 2014 (the "**Prospectus**") and the total underwriting commission, fees and expenses relating to the Placing paid by the Company, amounted to approximately HK$75.3 million. REC is the controlling shareholder (as defined in the Rules Governing the Listing of Securities on GEM) of the Company and a company owned as to 33.58% by Mr. Chew, the Chairman and an executive Director.

The Directors intend to apply all the above net proceeds for constructing new dormitories on the campus site owned by the Group, housing the Contract Colleges located in Oriental University City in Langfang Economic and Technological Development Zone in Langfang City, Hebei Province, the PRC (the "**Campus Site**").

Further to the issue of an order (Lang Kai Zhu Jian [2017] 13) by the local government in north region of the PRC to suspend all construction activities due to air pollution in that region, the Company obtained the building construction permit on November 29, 2018. As at June 30, 2019, the construction of new dormitories on the Campus Site is still on-going. An analysis of the use of proceeds from the Placing is set out below:-

Proposed use of net proceeds	Planned use of net proceeds from the Placing (as stated in the Prospectus) (HK$ million)	Actual use of net proceeds from the Placing up to June 30, 2019 (HK$ million)	Actual use of net proceeds from the Placing during the Year (HK$ million)	Unused net proceeds from the Placing (HK$ million)
Constructing new dormitories on the Campus Site	75.3	12.4	12.4	62.9 (will be fully utilised as intended on or before 31 December 2020)

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Timetable	Implementation Plans in the Prospectus	Actual Plans
June 30, 2019	– Not applicable	– Obtained the building construction permit. – The construction of new dormitories is on-going.
September 30, 2019	– Not applicable	– To complete the construction of the new dormitories.
December 31, 2019	– Not applicable	– To complete the final inspection and obtain the relevant government permit for commencement of use of the new dormitories.
June 30, 2020	– Not applicable	– To commence the use of the new dormitories for the 2019 to 2020 academic year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Chew Hua Seng (周華盛), aged 65, is the founding director of the Company (the "**Director**") appointed on June 11, 2012 and re-designated as an executive Director and the chairman of the board of Directors (the "**Board**") in January 2014. He is also a member of each of the Board's remuneration committee (the "**Remuneration Committee**") and nomination committee (the "**Nomination Committee**"). Mr. Chew joined the Group in December 2007. He is primarily responsible for the overall strategic planning and management of our Group. He has served as a director and chief executive director ("**CEO**") of 廊坊開發區東方大學城教育諮詢有限公司 (Langfang Development Zone Oriental University City Education Consultancy Co., Ltd.*) ("**Langfang Education Consultancy**"), a subsidiary of the Company, since October 2011. Mr. Chew is the founder, chairman and CEO of Raffles Education Corporation Limited ("**REC**" and its subsidiaries, excluding the Company and its subsidiaries, collectively as "**REC Group**"), a controlling shareholder of the Company. Under his astute leadership, REC has grown to become the premier private education provider. Mr. Chew has led REC to achieve an excellent track record of growth since the REC Group was founded in 1990. REC was listed on Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in 2002 and was ranked amongst the Top 200 Asia-Pacific companies on Forbes Asia's "Best Under a Billion (US$)" list for four consecutive years, from 2006 to 2009. Mr. Chew holds a Bachelor's Degree in Business Administration from the University of Singapore (now known as the National University of Singapore) in May 1979 and was awarded the National University of Singapore Business School Eminent Business Alumni Award in November 2010 for his outstanding achievements. Mr. Chew was also conferred the Public Service Medal in 2010 by the President of Singapore for his contribution to community service.

In 2007, Mr. Chew established the Chew Hua Seng Foundation (the "**Foundation**") to further charitable causes, predominantly in education. Commissioned with the motto "Compassion through the Generations", the Foundation's mission is aligned with REC's overarching principle to provide the invaluable gift of education to needy youths, with a special focus to support poor students in the Asia-Pacific region. Mr. Chew does not have any relationship with any Directors and senior management. Mr. Chew is a director of REC, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong.

* The English name of the company represents the best effort made by management of the Company in translating its Chinese name as it does not have any official English name.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Ying Chun (劉迎春), aged 55, is the chief executive officer of the Group and an executive Director. He is also a member of risk management committee of the Board (the "**Risk Management Committee**"). Mr. Liu joined our Group in June 2010 and was appointed as an executive Director on January 16, 2014. He is primarily responsible for managing the overall operations of the Group. Mr. Liu has served as director of, namely (i) Langfang Education Consultancy, a subsidiary of the Company since December 2011; (ii) OUC Malaysia Sdn. Bhd. (formerly known as Diamond Nest Sdn. Bhd.) since May 2016; (iii) OUC (Spain) Pte Limited since October 2016; (iv) OUC (Italy) Pte Limited since October 2016; and (v) Campus Residence S.r.l. since May 2017, all are wholly-owned subsidiaries of the Company. Mr. Liu was appointed as a non-executive director of Axiom Properties Limited, a company listed on the Australian Stock Exchange, since November 25, 2015. Mr. Liu also served as the chairman of Langfang Huaxi Construction Consultancy Company Limited (廊坊市華璽建設工程諮詢有限公司) from September 2000 to June 2010. He worked in the Langfang Audit Office (廊坊市審計局) as the vice-head, and as the head of Construction Centre Department from December 1991 to September 2000. Mr. Liu also worked in the Wenan County Audit Office (文安縣審計局) from July 1983 to November 1991. Mr. Liu obtained an executive master of business administration degree from University of Science and Technology Beijing (北京科技大學) in January 2019 and a diploma in business economics from the Renmin University of China (中國人民大學) in June 1988. Mr. Liu is registered as a valuer with the China Appraisal Society (中國資產評估協會). He is a qualified auditor accredited by the National Audit Office of the People's Republic of China (the "**PRC**") (中華人民共和國審計署), and is also an engineer in the PRC. Mr. Liu does not have any relationship with any Directors and senior management.

Independent Non-executive Directors (the "INEDs")

Mr. Lam Bing Lun, Philip (林炳麟), aged 76, was appointed as an INED on December 23, 2014. He is also the chairman of the audit committee of the Board (the "**Audit Committee**") and a member of the Nomination Committee. Mr. Lam began his career in 1963 with Hang Seng Bank Limited in the Accounts Department of its Head Office. He joined the University of Hong Kong ("**HKU**") in 1975 and served as the director of finance from 1990 to 2012 where he was responsible for overseeing and managing the university's overall financial affairs. He also spent 3 years in Canada from 1982 to 1985, where he served as the chief accountant and comptroller in the Overseas Bank (Canada), responsible for the creation, development and control of its accounting and reporting systems. Mr. Lam was appointed as senior advisor to the vice-chancellor of the HKU from July 1, 2012 to June 30, 2014 for financial and investment management and fund-raising matters. He is currently an honorary advisor to the chairman of the HKU Foundation. Mr. Lam is active in community affairs and has served as a member on the Board of Review of the Hong Kong Inland Revenue Department and a member of the Establishment and Finance Committee of the Prince Philip Dental Hospital in Hong Kong. He is currently a board governor of the Canadian International School in Hong Kong and also a board governor of the Centennial College which is wholly owned by the HKU. Mr. Lam is also currently an executive director of each of Chinney Alliance Group Limited (stock code: 385) and its subsidiary, Chinney Kin Wing Holdings Limited (stock code: 1556), and Hon Kwok Land Investment Company, Limited (stock code: 160), all listed on the Main Board of The Stock Exchange of Hong Kong Limited.

Mr. Lam obtained a diploma in management studies from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) in July 1974. He has been a fellow of The Chartered Institute of Management Accountants in the United Kingdom (the "**UK**") since April 1993, and a certified management accountant of the Society of Management Accountants of British Columbia, Canada since October 1991, and an associate of each of the Institute of Chartered Secretaries and Administrators in the UK since September 1974, the Chartered Institute of Bankers in the UK since December 1971 and the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants) since October 1981.

Mr. Tan Yeow Hiang, Kenneth (陳耀鄉), aged 52, was appointed as an INED on December 23, 2014. He is also the chairman of the Risk Management Committee and a member of each of the Audit Committee and the Remuneration Committee. Mr. Tan is currently a director of Quintegra Ventures Inc., an investment holding company. He worked at United Overseas Bank Limited in Singapore from September 2008 to May 2015 as its managing director heading various businesses such as the bank's corporate banking franchise in its overseas branches and its oversea financial institutions group. Mr. Tan previously worked at the Singapore Economic Development Board ("**EDB**") from October 2001 to September 2008, during which period he worked as director of the Services Cluster from 2003 to 2006, and subsequently as the assistant managing director of EDB from December 2007 to September 2008. As director of the Services Cluster, Mr. Tan had worked on a number of EDB's education related projects such as the German Institute of Science and Technology, Singapore – MIT alliance and the Institute of Environmental Sciences and Engineering (Pte) Ltd. Prior to working at EDB, Mr. Tan worked as a banker with a commercial bank in Singapore from February 1999 to April 2001 where his focus areas were in private equity and corporate development. Mr. Tan also served in the Singapore Armed Forces from December 1985 to February 1999. Mr. Tan obtained a master's degree in business administration from the National University of Singapore in August 1995, and a Bachelor of Arts in philosophy, politics and economics from the University of Oxford in June 1989. He was awarded the Singapore Armed Forces Overseas Training Award by the Government of Singapore in 1986.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wilson Teh Boon Piaw (鄭文鏢), aged 64, was appointed as an INED on December 23, 2014. He is also the chairman of the Remuneration Committee and a member of each of the Nomination Committee and the Risk Management Committee. Mr. Teh has been acting as the chief executive officer and chairman of Chef At Work Pte. Ltd. in Singapore as from October 1, 2015. Chef At Work is a one-stop food and beverage solutions provider with inter-disciplinary expertise. Mr. Teh served as the chairman and chief executive director of TMX International Limited, a new start up company and distributor of kitchen appliances, from May 2013 until November 2014. From August 2007 to October 2012, Mr. Teh served as director of Huhu Studio Ltd., a computer animation studio based in New Zealand, and had served as a director of its investment holding company, Huhu Holdings Pte Ltd., since July 2007. Mr. Teh previously worked at JOST World Group, a manufacturer of components for commercial vehicles, from May 1991 to September 2009, where he served as managing director of JOST Far East Pte Ltd. from May 1991 to September 2008 and was responsible for developing markets and for all sales matters in the Southeast Asia, Taiwan and Hong Kong, as well as setting up a regional logistic hub in Singapore. He served as president, Asia of JOST Asia (Shanghai) Auto Component Co. Ltd. from September 2001 to September 2008 and subsequently as consultant from October 2008 to September 2009, where he led and managed three companies in Asia, and developed and executed their strategy and long-term business plan. Mr. Teh obtained a master's degree in business administration from the University of Dubuque in Iowa, the United States of America (the "**US**") in January 1996, a diploma in management study from the Singapore Institute of Management in Singapore in March 1992, and a diploma in shipbuilding and repair technology from Ngee Ann Technical College (now known as Ngee Ann Polytechnic) in Singapore in association with The Polytechnic of Central London in the UK in July 1980.

Mr. Guo Shaozeng (郭紹增), aged 56, was appointed as an INED on December 20, 2018. He is also the chairman of the Nomination Committee and a member of the Audit Committee. Mr. Guo has extensive experience in strategy development, investment and acquisition in real estate, industrial new town, ecological environment and health areas in the PRC. He is one of the founders and deputy chairman of China Fortune Land Development Holdings Limited ("**CFLDH**"). From July 17, 2009 to February 20, 2019, Mr. Guo served as a non-executive director of China Fortune Land Development Co., Ltd. ("**CFLD**"), a subsidiary of CFLDH. A-Shares of CFLD are listed and traded on the Main Board of the Shanghai Stock Exchange (Stock Code: 600340). He was the deputy chairman of Bank of Langfang Co., Ltd. from January 6, 2014 to November 29, 2017 and has been its director since November 30, 2017. He is the founder of Poplar Capital which mainly focuses on the investment and acquisition of companies in eco-environment space, healthcare and internet of things areas. He is currently the president of North American Alumni Association of School of Economics and Management of Tsinghua University in the PRC.

Mr. Guo obtained an executive master of business administration degree (the "**EMBA**") in PBC School of Finance and an EMBA in School of Economics and Management from Tsinghua University. Mr. Guo is currently pursuing a doctoral degree in business and administration jointly offered by PBC School of Finance, Tsinghua University and Temple University in the US.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Liu Ying Chun (劉迎春) is our executive officer. Please refer to the subsection headed "**Executive Directors**" for his biographical details.

Mr. Leong Aik Huat (梁益發), aged 52, was appointed as the chief financial controller of the Group in February 2016, subsequent to the resignation of the former chief financial controller, in February 2016. Mr. Leong is responsible for the accounting and finance aspects of the Group. Prior to joining the Company, Mr. Leong had worked for REC since 2002, during which time he performed various functions from operating and supervising colleges to project development, accounting and finance. Mr. Leong was appointed as the financial controller of REC's China Headquarters from 2014 and responsible for the accounting and finance of its 11 subsidiaries. Mr. Leong graduated from the National University of Singapore with a Master's Degree in Science (Real Estate) and has a Certificate in Higher Accounting awarded by the London Chamber of Commence and Industry. He is a member of Certified Practising Accountant in Australia.

Mr. Chen Guang (陳光), aged 55, was appointed as the chief operating officer of the Group in March 2016, subsequent to the resignation of Mr. Cheng Bing Xu, the former chief operating officer, in February 2016. Mr. Chen is responsible for overseeing the property management and operation matters of the Group, including managing the acquisition, disposal, lease and maintenance of land and buildings and other fixed assets of the Group. Prior to joining the Group, Mr. Chen was the general manager of China Unicom of Yongqing branch of Langfang from December 2008 to June 2013. He was the manager of Administration of China Unicom of Langfang branch from March 2003 to December 2008. He was the general manager of Langfang Hanyi Textile Co., Ltd. (廊坊韓一紡織有限公司) from August 1993 to March 2003. Mr. Chen obtained a diploma in textile from 河北紡織職工大學 (Hebei Textile College) in the PRC in June 1988.

Mr. Zhang Jian Guang (張建光), aged 39, is the director of Human Resources and Administration of the Group. Mr. Zhang joined the Group in May 2011 and is responsible for managing the human resources operations and staff administration of the Group. Mr. Zhang has previously held various positions within the Group, including the vice director of human resources and vice director of the office administration. Prior to joining the Group, Mr. Zhang worked as a lecturer and subsequently as human resources administrator at Langfang Food Engineering Technical School (廊坊食品工程學校) from August 2003 to July 2009. Mr. Zhang obtained a master's degree in business administration from the Graduate School of the Chinese Academy of Sciences (中國科學院) (now known as University of the Chinese Academy of Sciences (中國科學院大學)) in the PRC in July 2011.

REPORT OF DIRECTORS

The board of directors of the Company (the "**Directors**" and the "**Board**", respectively) present the annual report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended June 30, 2019 (the "**Year**").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are leasing education facilities, comprising primarily teaching buildings and dormitories to education institutions in the People's Republic of China (the "**PRC**") and Malaysia; and to a much lesser extent, commercial leasing for supporting facilities.

RESULTS

The results of the Group for the Year and the state of affairs of the Company and of the Group as at that date are set out in the consolidated financial statements and their accompanying notes on pages 60 to 133 of this annual report.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the Year (2018: HK7.0 cents per share).

BOOK CLOSE DATES

For the purpose of ascertaining the entitlement of the shareholders of the Company (the "**Shareholders**") to attend and vote at the annual general meeting of the Company to be held on October 25, 2019 (the "**2019 AGM**"), the register of member of the Company (the "**Register of Members**") will be closed. Details of such closures are set out below:

Latest time to lodge transfer documents	4:30 p.m. on October 21, 2019 (Monday)
Closure of Register of Members	October 22, 2019 (Tuesday) to October 25, 2019 (Friday) (both days inclusive)
Record date	October 25, 2019 (Friday)

During the above closure period, no transfer of shares of the Company (the "**Shares**") will be registered. To be entitled to attend and vote at the 2019 AGM, the non-registered Shareholders must lodge all completed and stamped transfer documents accompanied by the relevant share certificates for registration with the Company's share registrar, Boardroom Share Registrars (HK) Limited at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong before the above latest time.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on pages 135 and 136 of this annual report. This summary does not form part of the audited financial statements.

INVESTMENT PROPERTIES

All the investment properties of the Group were revalued at June 30, 2019. The net increase in fair value of investment properties amounting to RMB5,302,000 (2018: RMB170,406,000) has been credited directly to the consolidated statement of profit or loss and other comprehensive income.

Details of movements in the investment properties of the Group during the Year are set out in note 15 to the financial statements.

Details of the properties held by the Group for investment as at June 30, 2019 are set out in the section headed "**Investment Properties**" on page 134 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 14 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 27 to the financial statements.

SHARE CAPITAL

Details of the Shares issued in the Year are set out in note 22 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "**Articles of Association**") which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

DONATION

During the Year, the Group made charitable donation of RMB1.0 million (2018: RMBNil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company did not redeem any of its Shares listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**" and the "**GEM**", respectively) nor did the Company or any of its subsidiaries purchase or sell any of its Shares during the Year.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 23 to the financial statements and in the consolidated statement of changes in equity on page 64, respectively. The distributable reserves, calculated under Part 6 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the "**Companies Ordinance**"), details of the distributable reserves of the Company are set out in note 23 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's major customers and suppliers, respectively, during the Year is as follows:

	Percentage of the Group's total purchase/sales %
The largest customer	61.41
Five largest customers in aggregate	87.52
The largest supplier	73.46
Five largest suppliers in aggregate	100.00

Save as rental income derived from Raffles College of Higher Education Sdn. Bhd. ("**Raffles College**"), which was one of the five largest customers during the Year, disclosed in note 28 to the financial statements, none of the Directors or their respective close associates (as defined in the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**")) or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the issued Shares) had any beneficial interest in the Group's major largest customers or suppliers referred above.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the remuneration of the Directors and the five individuals with the highest emoluments for the Year are set out in notes 10 and 11 to the financial statements, respectively.

EMOLUMENT POLICY

The remuneration committee of the Board was established for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. The Company has adopted a share option scheme (the "**Share Option Scheme**") to provide an incentive to the Directors and eligible employees, details of which are set out in the section headed "**Share Option Scheme**" below.

EQUITY-LINKED AGREEMENT

The Group has not entered into any equity-linked agreements that (i) will or may result in the Company issuing Shares or (ii) require the Company to enter into any arrangements that will or may result in the Company issuing Shares during the Year or existed as at June 30, 2019.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there has been a sufficient public float of the issued Shares as required under the GEM Listing Rules (i.e. at least 25% of the issued Shares in public hands) throughout the Year and thereafter up to the date of this report.

DIRECTORS

The Directors during the Year and up to the date of this report were:

Executive Directors
Mr. Chew Hua Seng *(Chairman)*
Mr. Liu Ying Chun *(Chief Executive Officer)*

Non-executive Director
Mr. He Jun (resigned with effect from October 31, 2018)

Independent Non-executive Directors (the "INEDs")
Mr. Lam Bing Lun, Philip
Mr. Tan Yeow Hiang, Kenneth
Mr. Wilson Teh Boon Piaw
Mr. Guo Shaozeng (appointed with effect from December 20, 2018)

In accordance with article 141 of the Articles of Association, Mr. Chew Hua Seng ("**Mr. Chew**") and Mr. Lam Bing Lun, Philip ("**Mr. Lam**") will retire from office by rotation and being eligible, have offered themselves for re-election at the 2019 AGM.

In accordance with article 113 of the Articles of Association, Mr. Guo Shaozeng ("**Mr. Guo**"), who was appointed by the Board as a Director with effect from December 20, 2018, will retire from office and being eligible, has offered himself for re-election at the 2019 AGM.

The Company has received an annual written confirmation of independence from each of the INEDs, namely Mr. Lam, Mr. Tan Yeow Hiang, Kenneth ("**Mr. Tan**"), Mr. Wilson Teh Boon Piaw ("**Mr. Teh**") and Mr. Guo, pursuant to Rule 5.09 of the GEM Listing Rules. As at the date of this report, the Company considered all the INEDs independent.

The biographical details of the Directors and the senior management of the Group are set out on pages 12 to 16 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Chew has entered into a service contract as the chairman of the Board (the "**Chairman**") and an executive Director with the Company for an initial term of three years commencing on December 24, 2014, which automatically continues thereafter until terminated by either party giving not less than three months' notice in writing to the other.

Mr. Liu Ying Chun has entered into a service contract as an executive Director with the Company for an initial term of three years commencing on January 16, 2014, which automatically continues thereafter until terminated by either party giving not less than three months' notice in writing to the other.

Each of Mr. Lam, Mr. Tan and Mr. Teh has entered into a letter of appointment with the Company for an initial term of three years commencing on December 23, 2014, which automatically continues thereafter until terminated by either party giving not less than three months' notice in writing to the other.

Mr. Guo has entered into a letter of appointment with the Company for an initial term of three years commencing on December 20, 2018, which automatically continues thereafter until terminated by either party giving not less than three months' notice in writing to the other.

None of the Directors being proposed for re-election at the 2019 AGM has a service contract or a letter of appointment with the Company or its subsidiaries, which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS OF SUBSIDIARIES

The names of all Directors who have served on the board of directors of the subsidiaries of the Company during the Year to the date of this report are as follows:

Name of Subsidiaries	Name of Directors including the directors of subsidiaries
廊坊開發區東方大學城教育諮詢有限公司 (Langfang Development Zone Oriental University City Education Consultancy Co., Ltd.* ("**Langfang Development Zone**"))	Chew Hua Seng Liu Ying Chun Ho Kah Chuan Kenneth
OUC Malaysia Sdn. Bhd. (formerly known as Diamond Nest Sdn. Bhd.) ("**OUC Malaysia**")	Liu Ying Chun Mok Kam Wah Tho Kwai Kuan
OUC (Spain) Pte Limited	Chew Han Wei Liu Ying Chun
OUC (Italy) Pte Limited	Chew Han Wei Liu Ying Chun
Campus Residence S.r.l.	Chew Han Wei Liu Ying Chun

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as otherwise disclosed, no Director or a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or its holding company or any of its subsidiaries or fellow subsidiaries was a party during the Year or subsisted as at June 30, 2019.

MANAGEMENT CONTRACTS

No contracts, other than a contract of service with any Director or any person under the full employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

RELATED PARTY TRANSACTIONS

A summary of the related party transactions entered into by the Group during the Year is contained in note 28 to the financial statements. Certain related party transactions set out in note 28 to the financial statements are regarded as connected transactions and continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. Details of such transactions are set out in the section headed "**Connected Transactions and Continuing Connected Transactions**" below.

* The English name of the company represents the best effort made by management of the Company in translating its Chinese name as it does not have any official English name.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

1) On August 29, 2018, the Company, as the purchaser, 廊坊開發區東方大學城教育諮詢有限公司 (Langfang Development Zone) (a subsidiary of the Company), 廊坊通慧教育諮詢有限公司 (Langfang Tonghui Education Consultancy Co., Ltd.*) ("**TongHui**") (a subsidiary of Raffles Education Corporation Limited ("**REC**") and REC (the holding company of the Company) (the "**Seller**") entered into a sale and purchase agreement (the "**Original SPA**"), pursuant to which the Seller had conditionally agreed to sell and the Company had conditionally agreed to acquire the properties (being part of Zhuyun Education Land, situated at Oriental University City, Langfang Economic and Technological Development Zone, Langfang City, Hebei Province, the PRC) at a consideration of RMB252,370,000 (the "**Acquisition**").

   A general meeting of the Company was held on December 20, 2018 to approve the Acquisition. Please refer to the Company's announcements dated August 29, September 3, September 13, October 31 and December 20, 2018 and circular dated November 29, 2018 for more details.

   The Company on December 31, 2018 and January 21, 2019, respectively executed (i) an addendum to the Original SPA and agreed to extend the long stop date to June 30, 2019; and (ii) an addendum to revise certain terms of the Original SPA. Please refer to the Company's announcements dated December 31, 2018 and January 21, 2019 for more details.

   On June 13, 2019, the Company, Langfang Development Zone, TongHui and the Seller entered into a supplemental agreement to amend certain terms of the Original SPA (the "**Supplemental Agreement**"). A general meeting of the Company will be held on a date to be announced to approve the Acquisition and the Supplemental Agreement. Please refer to the Company's announcements dated June 13, June 28 and July 23, 2019 respectively for more details.

2) Reference is made to the announcements of the Company dated May 30, June 5 and July 7, 2016 and the circular of the Company dated June 20, 2016, whereby it was disclosed that OUC Malaysia, a direct wholly-owned subsidiary of the Company, entered into acquisition agreements with the former landlord Ms. Doris Chung Gim Lian ("**Ms. Chung**"), the wife of Mr. Chew (the Chairman and an executive Director) and Evergreen Plus Sdn. Bhd. for the purchase of the properties in Malaysia. Upon completion of the acquisition, OUC Malaysia has been the landlord of the above properties. The tenancy agreements (the "**Tenancy Agreements**") were signed between the former landlords with Raffles College, a company owned as to 70% by REC which is the immediate holding company of the Company, as tenant for the lease of the properties for a term of three years from January 1, 2016 to December 31, 2018.

* The English name of the company represents the best effort made by management of the Company in translating its Chinese name as it does not have any official English name.

As the Tenancy Agreements expired on December 31, 2018, OUC Malaysia, as landlord, entered into a tenancy agreement with Raffles College, as tenant, on December 18, 2018 for the lease of the properties for a term of three years commencing on January 1, 2019 and expiring on December 31, 2021. Please refer to the Company's announcements dated December 18 and December 19, 2018 for more details.

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The INEDs have reviewed the above continuing connected transactions for the Year and confirmed that the above continuing connected transactions were entered into:

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms or better; and

3. in accordance with the terms of the agreements governing the continuing connected transactions (i.e. the Tenancy Agreements) that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

BDO Limited ("**BDO**"), Certified Public Accountants, the Company's independent auditor (the "**Independent Auditor**"), was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 "**Auditor's Letter on Continuing Connected Transactions under Hong Kong Listing Rules**" issued by the Hong Kong Institute of Certified Public Accountants. BDO has issued their confirmation letter to the Board containing their findings and conclusions in respect of the Group's continuing connected transactions disclosed above in accordance with Rule 20.54 of the GEM Listing Rules.

SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

REC, the controlling shareholder (as defined by the GEM Listing Rules) of the Company, has confirmed that save for its shareholding in the Company, it is neither engaged nor interested in any business which, directly or indirectly, competes or may compete with the Group's business (save as disclosed under the heading "**Excluded Businesses**" in the section headed "**History and Development-Post-Reorganization**" of the Company's prospectus dated December 31, 2014 (the "**Prospectus**")).

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in note 28 to the consolidated financial statements, there was no contract of significance (whether for the provision of services to the Group or not) in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any controlling shareholder (as defined in the GEM Listing Rules) of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

DEED OF NON-COMPETITION

On December 22, 2014, REC entered into a deed of non-competition and call option in favour of the Company, pursuant to which it has undertaken not to compete with the business of the Company. For further details, please refer to the sub-section headed "**Deed of Non-Compete**" in the section headed "**Relationship with the Controlling Shareholder**" of the Prospectus.

REC has made an annual written declaration as to the compliance with the non-competition undertakings in the Deed of Non-Compete (the "**Undertakings**"). The INEDs have reviewed the same as part of the annual review process and noted that: (a) REC declared that it had fully complied with the Undertakings for the Year; (b) no new competing business was reported by REC during the Year; and (c) there was no particular situation rendering the full compliance of the Undertakings being questionable. In view of the above, the INEDs confirmed that all of the Undertakings were complied with by REC for the Year.

COMPETING INTERESTS

The Directors have confirmed that save as disclosed above, as at June 30, 2019, none of the Directors, controlling shareholders or substantial shareholders (as defined in the GEM Listing Rules) of the Company, directors of the Company's subsidiaries or any of their respective close associates (as defined in the GEM Listing Rules) has interest in any business (other than the Group) which, directly or indirectly, competed or might compete with the Group's business.

BUSINESS REVIEW

Information about a fair review of, and an indication of likely future development in, the Group's business is set out in the "**Management Discussion and Analysis**" of this annual report.

As regards the principal risks and uncertainties facing the Group, please refer to the section headed "**Risk Factors**" contained on pages 43 to 69 of the Prospectus.

During the Year, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

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

As at June 30, 2019, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "**SFO**")), which were required: to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) entered in the register as referred to therein pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:–

Long positions

(a) Shares in the Company

Name of Director	Capacity/Nature of interest	Number of issued Shares held	Percentage of shareholding *(Note 2)*
Mr. Chew *(Note 1)*	Interest of a controlled corporation/ Corporate interest	135,000,000	75%

Notes:

(1) Details of the interest in the Company held by Mr. Chew, the Chairman and an executive Director, through REC are set out in the section headed "**Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares**" below.

(2) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at June 30, 2019 (i.e. 180,000,000 Shares).

(b) Shares in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/ Nature of interests	Number of issued shares held	Approximate percentage of shareholding
Mr. Chew	REC *(Note 1)*	Beneficial owner and interest of spouse/ Personal interest and family interest	462,907,764	33.58% *(Note 2)*

Notes:

(1) REC, a company incorporated in Singapore and listed on the Singapore Exchange Securities Trading Limited, is the immediate holding company of the Company.

(2) It includes (a) the 2.47% interest of Ms. Chung, the wife of Mr. Chew; and (b) the 9.93% joint interest of Mr. Chew and Ms. Chung.

Save as disclosed above, as at June 30, 2019, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which would have to be: (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) entered in the register referred to therein pursuant to section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2019, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the particulars of the corporations which or the persons who (other than a Director or the chief executive of the Company) had 5% or more interests or short position in the Shares and the underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:–

Long positions in the Shares

Name of Substantial Shareholders	Capacity/ Nature of interest	Number of issued Shares held	Percentage of shareholding (Note 2)
REC (Note 1)	Beneficial owner/Personal interest	135,000,000	75%
Ms. Chung (Note 1)	Interest of spouse/Family interest	135,000,000	75%

Notes:

(1) REC is owned as to (a) 21.17% by Mr. Chew, the Chairman and an executive Director; (b) 9.93% jointly by Mr. Chew and Ms. Chung, the wife of Mr. Chew; and (c) 2.47% by Ms. Chung. Under the SFO, Mr. Chew is deemed to be interested in the Shares in which REC is interested, and Ms. Chung is deemed to be interested and the Shares in which Mr. Chew is interested and is deemed to be interested. In addition, Mr. Chew is a director of REC.

(2) The percentage of shareholding was calculated based on the Company's total number of issued Shares as at June 30, 2019 (i.e. 180,000,000 Shares).

Save as disclosed above, as at June 30, 2019, so far as it was known by or otherwise notified to the Directors or the chief executive of the Company, no other corporations or persons (other than a Director or the chief executive of the Company) had 5% or more interests or short positions in the Shares and the underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

A corporate governance report containing the principal corporate governance practices adopted by the Group is set out on pages 35 to 48 of this annual report.

The compliance officer of the Company is Mr. Liu Ying Chun whose biographical details are set out on page 13 of this annual report. The company secretary of the Company is Sir Kwok Siu Man KR, a fellow member of The Hong Kong Institute of Chartered Secretaries, whose brief particulars are set out under the section headed "**COMPANY SECRETARY**" of the corporate governance report on page 45.

USE OF PROCEEDS FROM THE COMPANY'S PLACING

Please refer to section headed "**USE OF PROCEEDS FROM THE COMPANY'S PLACING**" set out in the "**Management Discussion and Analysis**" of this annual report for details.

SHARE OPTION SCHEME

The Company conditionally approved and adopted the Share Option Scheme on December 17, 2014, which became effective on January 16, 2015 (the "**Listing Date**"). The following is a summary of the principal terms of the Share Option Scheme:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide an incentive or reward for the Eligible Participants (defined below) for their contribution or potential contribution to the Company and/or any of its subsidiaries.

(b) Participants of the Share Option Scheme

The Directors may, subject to and in accordance with the provisions of the Share Option Scheme and the GEM Listing Rules, at its discretion, grant options to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive directors) of the Company or its subsidiaries, and any suppliers, customers, consultants, agents and advisers, who in the absolute discretion of the Directors has contributed or will contribute to the Group (collectively, the "**Eligible Participants**").

(c) Maximum number of Shares available for subscription

The maximum number of the Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed the number of the Shares that shall represent 10% of the total number of the Shares in issue immediately upon completion of the listing of the Company on GEM (the "**Scheme Mandate Limit**"), which is 18,000,000 Shares. For the purpose of calculating the Scheme Mandate Limit, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted.

The maximum limit on the number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed such number of the Shares as shall represent 30% of the Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

As at the date of this report, there was no outstanding option under the Share Option Scheme, and the outstanding number of options available for grant under the Share Option Scheme was such number of options, upon exercise, representing 10% of the issued Shares.

(d) **Grant to connected persons, substantial shareholders and independent non-executive directors of the Company**

Any grant of options to a connected person (as defined by the GEM Listing Rules) of the Company must be approved by all the INEDs (excluding any INED who is also a proposed grantee of the options, the vote of such INED shall not be counted for the purposes of approving the grant).

Any grant of options to a substantial shareholder or an INED or any of their respective associates shall be subject to, in addition to the approval of the INEDs, the issue of a circular by the Company to its Shareholders and the approval of the Shareholders in general meeting if the Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12-month period up to and including the date of offer of grant of the option (the "**Offer Date**"):

(i) would represent in aggregate more than 0.1%, or such other percentage as may from time to time be provided under the GEM Listing Rules, of the Shares in issue on the Offer Date; and

(ii) would have an aggregate value, based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the Offer Date, in excess of HK$5,000,000 (or such other amount as shall be permissible under the GEM Listing Rules from time to time).

(e) **Grant to Eligible Participants other than parties mentioned above**

(i) Subject to below paragraph (ii), no Eligible Participant (other than parties mentioned in above paragraph (d)) shall be granted an option if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the options granted to such Eligible Participant (other than parties mentioned in above paragraph (d)) (including both exercised and outstanding options) in any 12-month period exceeding 1% of the total number of Shares in issue.

(ii) Where any further grant of options to an Eligible Participant (other than parties mentioned in above paragraph (d)), if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such Eligible Participant (other than parties mentioned in above paragraph (d)) (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant exceeding 1% of the total number of Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Eligible Participant (other than parties mentioned in above paragraph (d)) and his close associates abstaining from voting. Our Company must send a circular to the Shareholders and the circular must disclose the identity of the Eligible Participant (other than parties mentioned in above paragraph (d)), the number and terms of the options to be granted and options previously granted to such Eligible Participant (other than parties mentioned in above paragraph (d)) and the information required under the GEM Listing Rules.

(f) **Exercise price**

The price per Share at which a grantee may subscribe for Shares upon exercise of an option shall, subject to any adjustment resulting from the alteration of the number of the issued Shares, be a price determined by the Directors but in any event shall be at least the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the Offer Date; and

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date.

(g) **Acceptance and payment on acceptance of option offer**

An option may be accepted by an Eligible Participant within 30 days from the Offer Date.

A consideration of HK$1.00 is payable on acceptance of the offer of the grant of an option.

(h) **Life of the Share Option Scheme**

The Share Option Scheme shall be valid and effective for a period commencing on the Listing Date and ending on the tenth anniversary of the Listing Date (both days inclusive), after which time no further option will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and the options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

No options were granted since the Listing Date. Therefore, no options were exercised or cancelled or lapsed during the Year and there were no outstanding options under the Share Option Scheme as at June 30, 2019.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year or as of June 30, 2019 was the Company or any of its subsidiaries, fellow subsidiaries and holding company a part to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance for the Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance when this report prepared by the Directors is approved in accordance with section 391(1)(a) of the above Companies Ordinance.

ENVIRONMENTAL POLICY

The Group is committed to nurturing its staff to care about and protect the environment. It conducts its business in a manner that balances the environment and economic needs.

The Group complies with all relevant environment regulations. It works with its partners including customers and suppliers in a connected effort to operate in an environmentally responsible manner by making concerted efforts to be energy-efficient and to practice "**Reduce, Reuse and Recycle**".

Among others, the Group has taken the following initiatives:–

- Performed minimal renovations, by re-using existing flooring, furniture etc., during the Year.
- Works closely with various local governments in Langfang City, Hebei Province, the PRC to help them promote environment protection strategies.
- Promotes the knowledge of environmental protection to students and staff in its campus and advocates students therein to sort their trash into separate bins.
- Saves power by implementing automatic lights off during non-business hours and providing manual override switches for all non-emergency lighting.
- Adjusts the heat supply system to low settings during the winter vacation period.

RELATIONSHIPS WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

Employees

All of the Group's employees work in the campus site, owned by the Group, housing the colleges, universities, schools, education training centres and corporate entities that lease education facilities from the Group (the "**Contract Colleges**"), located in the Oriental University City in Langfang Economic and Technological Development Zone in Langfang City, Hebei Province, the PRC (the "**Campus Site**"). They perform management, administration and human resources, operation, finance and investors' relation functions respectively. The Group determines the remuneration of its employees by reference to the market salary of their individual experience and performance. The Group will continue to improve and upgrade their management and professional skills. None of the Group's employees is represented by any collective bargaining agreement or labour union. The Group has not experienced any significant problem with its employees or disruption to its operations due to labour dispute, nor has the Group experienced any difficulties in the recruitment and retention of experienced staff.

Suppliers

The Group's suppliers provide the Group with a range of services associated with the management and maintenance of the Campus Site, mainly including cleaning, gardening, building maintenance and refurbishing, and campus security. The Directors believe that the Group is able to get access to the service of the suppliers easily as they are all located in Langfang City, Hebei Province, the PRC. The Directors also believe that maintenance of a stable relationship with the Group's major suppliers is important to the Group's operations as this will enable a stable supply of services to the Campus Site.

The Group's property team is responsible for quality control over the selection and performance of the suppliers. In general, the said team selects and evaluates the suppliers based on their pricing, background, industry experience, reputation and ability to deliver quality services. The suppliers are sourced through a tender process for an aggregate contract amount that exceeds RMB50,000.

Apart from those suppliers for the building maintenance and refurbishing services which are determined on an individual project basis, the Group's relationships with other major suppliers are over five years on average. Although the Group does not enter into any long-term contracts with certain of its suppliers, the Group has established a long-term business relationship with them. The Group has not experienced any disruption in the supply of services by suppliers.

Customers

The Group's principal customers are the Contract Colleges. For the Year, the Group had eleven Contract Colleges. Revenue from the five largest customers using the Group's education facilities, most of which were the Contract Colleges, accounted for over 87% of the Group's total revenue for the Year.

REPORT OF DIRECTORS

EVENT AFTER REPORTING PERIOD

The Group does not have any material subsequent event after the end of the Year and up to the date of this report.

CHANGE IN INFORMATION OF DIRECTOR

Subsequent to the date of the 2019 interim report of the Company, the change in Director's information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules is set out below:

Mr. Lam was appointed as an executive director of Hon Kwok Land Investment Company, Limited (stock code: 160), a company listed on Main Board of the Stock Exchange, with effect from April 29, 2019.

INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the Year were audited by BDO, the Independent Auditor. BDO will retire, and being eligible, offer themselves for re-appointment at the 2019 AGM. A resolution for the re-appointment of BDO as the Independent Auditor will be proposed at the 2019 AGM.

On behalf of the Board

Chew Hua Seng
Chairman

Singapore, August 16, 2019

CORPORATE GOVERNANCE REPORT

The Company is committed to fulfilling its responsibilities to its shareholders (the "**Shareholders**") and protecting and enhancing Shareholder value through solid corporate governance.

The Company has compiled with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**" and the "**GEM Listing Rules**", respectively) during the year ended June 30, 2019 (the "**Year**").

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has complied with provision A.2.1 of the CG Code, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chew Hua Seng as the chairman of the board of directors of the Company (the "**Directors**" and the "**Chairman**", respectively) is responsible for overseeing the functions of the board of Directors (the "**Board**") and formulating overall strategies and policies of the Company. The chief executive officer of the Company (the "**CEO**"), Mr. Liu Ying Chun, supported by the senior management, is responsible for managing the businesses of the Company and its subsidiaries (the "**Group**"), implementing major strategies as well as making day-to-day decisions and overall coordination for business operations.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings regarding securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**") as its own code of conduct for dealings in the Company's securities by the Directors. The Company had made specific enquiries with all the Directors and each of them has confirmed his compliance with the Required Standard of Dealings during the Year.

Specific employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the Required Standard of Dealings. No incident of non-compliance was noted by the Company during the Year.

BOARD OF DIRECTORS

The overall management of the Company's business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All the Directors make decision objectively in the interests of the Company. The Board has the full support of the executive Directors and the senior management of the Company to discharge its responsibilities.

The day-to-day management, administration and operation of the Company are delegated to the CEO and the senior management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions being entered into by the above mentioned officers.

The Board also assumes the responsibilities for maintaining a high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the Company's policies and practices in compliance with legal and regulatory requirements.

As at the date of this report, the Board comprises two executive Directors and four independent non-executive Directors (the "**INEDs**"). The Board delegates certain functions to committees to enable the Board to manage more effectively its stewardship and fiduciary responsibilities. The Board is assisted by four committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**") and the risk management committee (the "**Risk Management Committee**"). The composition of the Board and its committees are stated below and their respective responsibilities are discussed in this report.

Board of Directors	Board Member	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
Executive Directors					
Mr. Chew Hua Seng *(Chairman)*	✓		✓	✓	
Mr. Liu Ying Chun *(CEO)*	✓				✓
INEDs					
Mr. Lam Bing Lun, Philip	✓	✓		✓	
Mr. Tan Yeow Hiang, Kenneth	✓	✓	✓		✓
Mr. Wilson Teh Boon Piaw	✓		✓	✓	✓
Mr. Guo Shaozeng	✓	✓		✓	

All Directors, including the INEDs, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for the efficient and effective delivery of the Board functions.

Please refer to the section headed "**Biographical Details of Directors and Senior Management**" in this annual report for key information on each Director and member of the senior management.

There was no financial, business, family or other material relationship among the Directors.

All the INEDs were appointed for a term of three years which automatically continues thereafter until terminated by either party giving not less than three months' notice in writing to the other.

Independent Non-executive Directors

The Company had four INEDs and at least one of the INEDs had appropriate professional qualifications or accounting or related financial management expertise at all times during the Year. A written annual confirmation on independence as required by Rule 5.09 of the GEM Listing Rules has been received from each of the INEDs. The Company considers all of the INEDs to be independent.

Board Meetings

The Board meets at least four times a year at approximately quarterly intervals and additional meetings will be convened as and when required. During the Year, five Board meetings as well as an annual general meeting (the "**AGM**") and a general meeting (the "**GM**") of the Shareholders were held. Details of the attendance of the Directors are as follows:

Board of Directors	Number of Board meetings attended/ eligible to attend	AGM attended/ eligible to attend	GM attended/ eligible to attend
Executive Directors			
Mr. Chew Hua Seng	5/5	1/1	1/1
Mr. Liu Ying Chun	5/5	1/1	1/1
Non-executive Director			
Mr. He Jun (resigned with effect from October 31, 2018)	3/3	1/1	0/0
INEDs			
Mr. Lam Bing Lun, Philip	5/5	1/1	1/1
Mr. Tan Yeow Hiang, Kenneth	5/5	1/1	1/1
Mr. Wilson Teh Boon Piaw	5/5	1/1	1/1
Mr. Guo Shaozeng (appointed with effect from December 20, 2018)	2/2	0/0	0/0

BOARD DIVERSITY POLICY

The Board values diversity as a factor in selecting candidates to serve on the Board, and believes that the diversity which exists in its composition provides significant benefits to the Board and the Company.

The Board adopted a board diversity policy (the "**Board Diversity Policy**") which relates to the selection of candidates for the Board. The Board believes that a key success factor of an effective Board is that it comprises a range and balance of skills, experience, knowledge and independence with individuals that work as a team. The Board Diversity Policy was adopted to ensure that diversity in its broadest sense continues to remain a feature of the Board.

The Nomination Committee has been delegated with the responsibilities for the review of the Board Diversity Policy on an annual basis.

Directors' Induction and Continuous Professional Development

Each newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of the Director's responsibilities and obligations under the GEM Listing Rules and relevant statutory requirements. The Company is dedicated to arrange appropriate induction for the continuous professional development for all Directors at the Company's expenses to develop, replenish and refresh their knowledge and skills.

The Company will from time to time provide briefings to all Directors to develop and refresh the Directors' duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense.

During the Year, all the Directors (including a resigned Director), namely Mr. Chew Hua Seng, Mr. Liu Ying Chun, Mr. Lam Bing Lun, Philip, Mr. Tan Yeow Hiang, Kenneth, Mr. Wilson Teh Boon Piaw, Mr. Guo Shaozeng and Mr. He Jun (resigned with effect from October 31, 2018) have participated in continuous professional development by attending conferences and internal training as regards corporate governance, laws, regulations and the GEM Listing Rules, or reading materials in the above areas and relevant to their duties, responsibilities and the Group's business in order to develop, refresh and update their knowledge and skills.

Training records for the Year have been provided by all Directors to the Company.

Board Committees

The Board is supported by four Board committees. Each committee has its defined scope of duties and terms of reference and the committee members are empowered to make decisions on matters within their respective terms of reference.

(1) Audit Committee

The Company has established the Audit Committee with clear written terms of reference in compliance with the CG Code, which are posted on the respective websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are (a) to review the Group's financial statements and annual, interim and quarterly reports; (b) to discuss and review with the independent auditor of the Company (the "**Independent Auditor**") on the scope and findings of the audit and the Independent Auditor's management letter; and (c) to review the financial and accounting policies and practices, financial controls and internal controls of the Group.

Currently, the Audit Committee has three members comprising all INEDs, namely Mr. Lam Bing Lun, Philip (chairman of the Audit Committee), Mr. Tan Yeow Hiang, Kenneth and Mr. Guo Shaozeng.

The Audit Committee held four meetings during the Year to review and supervise the financial reporting process and system of internal controls and recommend the re-appointment of the Independent Auditor. It had, in conjunction with the Independent Auditor, reviewed the Group's audited annual results for the year ended June 30, 2018 and unaudited first quarterly results for the three months ended September 30, 2018, interim results for the six months ended December 31, 2018 and third quarterly results for the nine months ended March 31, 2019 and recommended the same to the Board for its consideration and approval. The Audit Committee was of the opinion that such results had been prepared in compliance with the applicable accounting standards and requirements and that adequate disclosure had been made. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the Independent Auditor for the Year. The Audit Committee also carried out and discharged its other duties as set out in the CG Code.

The Audit Committee met on August 16, 2019 and among other matters, reviewed the Group's audited consolidated results for the Year.

The attendance of each INED at the Audit Committee meeting during the Year is as follow:

Members	Number of meetings attended/eligible to attend
Mr. Lam Bing Lun, Philip *(Chairman)*	4/4
Mr. Tan Yeow Hiang, Kenneth	4/4
Mr. Guo Shaozeng (appointed with effect from December 20, 2018)	2/2
Mr. Wilson Teh Boon Piaw (resigned as a member with effect from December 20, 2018)	2/2

(2) Remuneration Committee

The Company has established the Remuneration Committee according to the relevant provisions of the CG Code of the GEM Listing Rules with specific written terms of reference. Its primary duties are to (a) make recommendations to the Board on the Company's policy and structure for all remuneration of executive Directors and senior management and the remuneration of non-executive Directors; (b) establish formal and transparent procedures for developing a policy on remuneration; (c) review and approve the management's remuneration proposals by reference to the Board's corporate goals and objectives; and (d) make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The Remuneration Committee presently comprises an executive Director Mr. Chew Hua Seng, and two INEDs, namely Mr. Wilson Teh Boon Piaw (chairman of the Remuneration Committee) and Mr. Tan Yeow Hiang, Kenneth.

During the Year, the Remuneration Committee held a meeting to, among others, assess the performance and remuneration of the executive Directors and discuss the policy for the remuneration of Directors and senior management.

The attendance of each Director who was a member of the Remuneration Committee at the Remuneration Committee meeting during the Year is as follows:

Members	Number of meetings attended/eligible to attend
Mr. Wilson Teh Boon Piaw *(Chairman)*	1/1
Mr. Chew Hua Seng	1/1
Mr. Tan Yeow Hiang, Kenneth	1/1

The Remuneration Committee met on August 16, 2019 and among other matters, reviewed the remuneration package of all Directors and made recommendation to the Board on the remuneration proposal for all Directors and senior management.

(3) Nomination Committee

The Company has established a Nomination Committee according to the relevant code provisions of the CG Code with specific written terms of reference which are posted on the respective websites of the Stock Exchange and the Company. Its primary duties are to: (a) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (c) assess the independence of the INEDs; and (d) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the CEO.

The Nomination Committee consists of four members, of which three are INEDs. The members of the Nomination Committee are Mr. Guo Shaozeng (chairman of the Nomination Committee), Mr. Lam Bing Lun, Philip, Mr. Wilson Teh Boon Piaw (all INEDs) and Mr. Chew Hua Seng (an executive Director). The Nomination Committee determines the policy for the nomination of Directors, the nomination procedures, process and criteria adopted in the selection and recommendation of candidates for directorship. Details of the nomination policy of the Company (the "**Nomination Policy**") are set out below under section headed "**Nomination Policy**".

During the Year, the Nomination Committee held a meeting and, among other matters, assessed the independence of the INEDs, recommended to the Board for consideration the re-appointment of all the retiring Directors as Directors as well as reviewed and assessed the Board composition on behalf of the Board taking into account the Board Diversity Policy.

In determining the Board's composition, the Nomination Committee has considered a number of aspects, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service, which have been incorporated in the Board Diversity Policy. The Nomination Committee will also consider factors based on the Company's business model and specific needs from time to time in determining the optimum composition of the Board.

The attendance of each Director who was a member of the Nomination Committee at the Nomination Committee meeting during the Year is as follows:

Members	Number of meetings attended/eligible to attend
Mr. Guo Shaozeng *(Chairman)* (appointed with effect from December 20, 2018)	0/0
Mr. Chew Hua Seng	1/1
Mr. Lam Bing Lun, Philip	1/1
Mr. Wilson Teh Boon Piaw	1/1
Mr. Tan Yeow Hiang, Kenneth (resigned as the chairman and a member with effect from December 20, 2018)	1/1

The Nomination Committee met on August 16, 2019 and, amongst other matters, recommended the re-appointment of all the retiring Directors at the forthcoming AGM.

(4) Risk Management Committee

The Risk Management Committee currently consists of three members, of which two are INEDs, The members of Risk Management Committee are Mr. Tan Yeow Hiang, Kenneth (chairman of the Risk Management Committee), Mr. Wilson Teh Boon Piaw (both INEDs) and Mr. Liu Ying Chun, an executive Director.

The primary duties of the Risk Management Committee are to formulate the appropriate framework, system and policies for managing risks relating to the activities of the Group, and to provide support to the Board on proposed strategic transactions by focusing on risk aspects and implications of the risks for the Group.

During the Year, the Risk Management Committee held two meetings to review amongst others, the risk management system and discuss risk management-related matters. The terms of reference of the Risk Management Committee have been revised and adopted by the Board on November 20, 2018.

The attendance of each Director who was a member of the Risk Management Committee at the Risk Management Committee meeting during the Year is as follow:

Members	Number of meetings attended/eligible to attend
Mr. Tan Yeow Hiang, Kenneth *(Chairman)* (appointed as the chairman with effect from October 31, 2018)	1/1
Mr. Liu Ying Chun (appointed with effect from December 20, 2018)	1/1
Mr. Wilson Teh Boon Piaw	2/2
Mr. He Jun (ceased to be the chairman and a member with effect from October 31, 2018)	1/1
Mr. Lam Bing Lun, Philip (resigned as a member with effect from December 20, 2018)	1/1

NOMINATION POLICY

The Nomination Policy aims to ensure that the Board has a balance of skills, experience, knowledge and diversity of perspective appropriate to the requirement of the Group's business. It provides the key selection criteria and procedures in making any recommendation on the appointment and re-appointment of the Directors.

Selection Criteria

The Nomination Committee shall consider a number of selection criteria including but not limited to the following for making recommendation on appointment of any proposed candidate to the Board or re-appointment of any existing member of the Board.

(a) Diversity in the aspects of, amongst others, gender, age, cultural and educational background, professional experience, skill, knowledge and length of service;

(b) Qualifications including accomplishment and experience in the relevant business industries in which the business of the Company;

(c) Commitment for responsibilities of the Board in respect of available time and relevant interest;

(d) Independence (for INEDs);

(e) Character and integrity;

(f) Potential contribution that the individual will bring to the Board; and

(g) Other perspective that are appropriate to the Company's business and succession plan.

Nomination Procedures

The Nomination Committee will recommend to the Board for the appointment or re-appointment of a Director in accordance with the following procedures or process:

(a) The Nomination Committee may adopt any process it considers appropriate in evaluating the suitability of the candidate, such as interviews, background checks, presentations and the third party reference checks;

(b) The Nomination Committee should evaluate such candidate based on the selection criteria as set out above to determine whether such candidate is qualified for directorship;

(c) When considering a candidate's suitability for the directorship, the Nomination Committee and/or the Board will hold a meeting and/or by way of written resolutions to approve the appointment and make recommendation to Shareholders in respect of the proposed election of Director at the GM.

(d) The Nomination Committee should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board; and

(e) The Nomination Committee and/or the Board should determine whether the retiring Director continues to meet the selection criteria and to make recommendation to Shareholders in respect of the proposed re-election of Director at the GM.

CORPORATE GOVERNANCE FUNCTION

The Risk Management Committee is responsible for developing and putting in place policies and practices to ensure compliance with the provisions of the CG Code, for the training and continuous professional development of the Directors and senior management, for the compliance with legal and regulatory requirements, etc.

During the Year, the Board has through the Risk Management Committee reviewed the Company's policies and practices on corporate governance as well as the corporate governance report contained in the Company's 2018 annual report in discharge of its corporate governance functions, ensuring compliance with the GEM Listing Rules.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remuneration for the Year are set out in note 10 to the financial statements. Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "**Biographical Details of Directors and Senior Management**" in this annual report for the Year by band is set out below:

Remuneration band (in RMB)	**Number of individuals**
Nil to 500,000	3

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgement and estimates have been made.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements. The Independent Auditor's responsibilities are set out in the "**Independent Auditor's Report**" of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the establishment, maintenance and review of the Group's systems of internal controls and risk management. The Company has an established risk framework under which it identifies risks relevant to the operations and activities of the Group, and assesses these risks in relation to their likelihood and potential impacts. The Group's internal control and risk management systems include a well-defined management structure with limits of authority, which is designed to achieve business objectives, safeguard assets against unauthorised use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and ensure compliance with relevant legislations and regulations. Such systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives, and aims to provide a reasonable, as opposed to an absolute assurance against material misstatement or loss.

The Company does not have an internal audit department. The Board currently takes the view that there is no immediate need to set up an internal audit function in light of the size, nature and complexity of the Group's business. The need for an internal audit function will be reviewed from time to time. However, during the Year, the Company has engaged an external professional internal control consultant firm (the "**Internal Control Consultant**") to provide internal audit services to the Group on an annual basis. The internal audit report issued by the Internal Control Consultant was reviewed by the Audit Committee and the Board. No major issue was raised for improvement.

The Board has through the Audit Committee and Risk Management Committee reviewed, and is satisfied with, the effectiveness of the systems of internal controls and risk management of the Group.

DISCLOSURE OF INSIDE INFORMATION

The Group acknowledges its responsibilities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) and the GEM Listing Rules and the overriding principle that inside information should be announced immediately when it is the subject of a decision. The procedures and internal controls for the handling and dissemination of inside information are as follows:

- the Group conducts its affairs with close regard to the disclosure requirement under the GEM Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission of Hong Kong in June 2012;

- the Group has implemented and disclosed its policy on fair disclosure by pursuing broad, non-exclusive distribution of information to the public through channels such as financial reporting, public announcements and its website;

- the Group has strictly prohibited unauthorised use of confidential or inside information; and

- the Group has established and implemented procedures for responding to external enquiries about the Group's affairs, so that only the executive Directors, the company secretary of the Company (the "**Company Secretary**") and investor relations officers are authorised to communicate with parties outside the Group.

REMUNERATION OF THE INDEPENDENT AUDITOR

The consolidated financial statements for the Year were audited by BDO Limited ("**BDO**") whose term of office will expire at the forthcoming AGM. The Audit Committee has recommended to the Board that BDO be nominated for re-appointment as Independent Auditor at the forthcoming AGM.

The remuneration paid/payable to BDO in respect of the Year is set out below:

Type of Services	Fees Paid/Payable (RMB)
Assurance services	
Auditing of financial statements	
– BDO	900,000
Non-Assurance services	
Reporting accountants for the proposed acquisition of properties	
– BDO	595,000
Total	1,495,000

COMPANY SECRETARY

The Company Secretary is Sir Kwok Siu Man KR ("**Sir Seaman Kwok**") who has been appointed by the Board since September 30, 2013 and has been so nominated by Boardroom Corporate Service (HK) Limited ("**Boardroom**") under an engagement letter entered into between the Company and Boardroom. The primary persons of the Company with whom Sir Seaman Kwok has been contacting are Mr. Zhang Jianguang, director of the human resource and administration and Mr. Leong Aik Huat, financial controller, in relation to corporate secretarial matters. As Sir Seaman Kwok was first appointed as the company secretary of a Hong Kong Hang Seng Index constituent stock company in 1991 and has been acting in such capacity for a number of other reputable companies listed on the Stock Exchange for a substantial amount of time, he was not required to have at least 15 hours of relevant continuous professional development training under the GEM Listing Rules for each of five consecutive years from 2012. Sir Seaman Kwok had delivered and attended no less than 15 hours of relevant professional trading in compliance with Rule 5.15 of the GEM Listing Rules during the Year.

DIVIDEND POLICY

In order to enhance transparency of the Company and facilitate the Shareholders and investors to make informed investment decisions relating to the Company, the Board has adopted a dividend policy of the Company (the "**Dividend Policy**").

According to the Dividend Policy, the dividend payments will depend upon the share capital and/or the distributable reserve of the Company and the availability of dividends that the Company received from any of its subsidiaries. The Board may declare dividends taking into account the operations, earnings, financial condition, cash requirements and availability, all applicable requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") and the articles of association of the Company (the "**Articles of Association**") and other factors as it may deem relevant at such time. The payment of dividends may also be limited by legal restrictions and by financing agreements that the Company may enter into in the future.

Under the current laws and regulations of the People's Republic of China (the "**PRC**"), dividends paid by companies incorporated in the PRC to a non-PRC resident enterprise shareholder are subject to a 10% withholding tax unless reduced by a tax treaty or arrangement. Under an arrangement between the PRC and Hong Kong and subject to approvals from the relevant local tax authorities, the Company is entitled to a reduced withholding tax rate of 5% on dividends which the Company receives from its subsidiaries in the PRC.

The Company does not have any pre-determined dividend distribution proportion or distribution ratio. The declaration, payment and amount of dividends will be subject to the Board's discretion. The Board will review the Dividend Policy on a regular basis.

COMMUNICATION WITH SHAREHOLDERS

The Company communicates with the Shareholders and the potential investors of the Company (the "**Investors**") mainly in the following ways:

i the holding of AGMs and GMs, if any, which may be convened for specific purpose and provide opportunities for the Shareholders and the Investors to communicate directly with the Board;

ii the publication of quarterly, half-yearly and annual reports, announcements and/or circulars as required under the GEM Listing Rules and/or press releases of the Company providing updated information on the Group; and

iii the latest information on the Group is available on the respective websites of the Stock Exchange and the Company.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene a GM

The following procedures for Shareholders to convene a GM are subject to the Articles of Association and the Companies Ordinance (both as amended from time to time):

i any one or more Shareholders representing at least 5 per cent. of the total voting rights of all the Shareholders having a right to vote at general meetings (the "**Eligible Shareholder(s)**") may request the Board to call a GM;

ii the request must state the general nature of the business to be dealt with at the meeting; and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting (the "**Written Request**"). Such Written Request may consist of several documents in like form and be sent to the Company in hard copy form in accordance with item iii below or in electronic form (via email at zhangjianguang@oriental-university-city.com); and must be authenticated by the Eligible Shareholder(s) making it;

iii the Eligible Shareholder(s) who wish(es) to convene a GM must deposit a Written Request signed by the Eligible Shareholder(s) concerned to the registered office of the Company, presently located at 31st Floor, 148 Electric Road, North Point, Hong Kong and its principal place of business in the People's Republic of China (the "**PRC**") at No. 100 Zhangheng Road, Oriental University City, Langfang Economic & Technological Development Zone, Hebei Province 065001, the PRC for the attention of the Board and/or the Company Secretary;

iv the Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene a GM and the details of the business(es) proposed to be transacted at the GM, and must be signed by the Eligible Shareholder(s) concerned;

v the Requisition will be verified with the share registrar of the Company and upon their confirmation that the Requisition is proper and in order, the Board will convene a GM by serving sufficient notice in accordance with the requirements under the Articles of Association to all the registered Shareholders. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for a GM; and

vi if within 21 days of the deposit of the Requisition, the Board fails to proceed to convene such GM, the Eligible Shareholder(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Procedures for Shareholders to put forward proposal at GM

Shareholder(s) representing at least 5 per cent. of the total voting rights of all Shareholders who have a relevant right to vote or at least 50 Shareholders who have a relevant right to vote may request the Company to circulate to the Shareholders entitled to receive notice of a GM, a resolution proposed and a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution to be dealt with at that GM.

The request may be sent to the Company in hard copy at the Company's registered office and principal place of business in the PRC or in electronic form (via email at zhangjianguang@oriental-university-city.com); must identify the resolution and any statement to be circulated; and must be authenticated by the Shareholder(s) making it.

PROCEDURES FOR SHAREHOLDERS TO SEND ENQUIRIES TO THE BOARD

Shareholders may send their enquiries and concerns to the Board by addressing them to the registered office of the Company, presently located at 31st Floor, 148 Electric Road, North Point, Hong Kong by post or by email to Sir Seaman Kwok at seaman.kwok@boardroomlimited.com for the attention of the Company Secretary.

The Company treats all Shareholders fairly and equitably. At GMs and AGMs, the Shareholders are provided the opportunities to share their views and to meet the Board, including chairpersons of the Board committees and certain members of senior management.

INVESTOR RELATIONS

The Company discloses all necessary information to the Shareholders in compliance with the GEM Listing Rules and applicable laws and regulations. Updated and key information of the Group is also available on the Company's website. The Company also replies the enquiries from the Shareholders timely. The Directors will host the AGM each year to meet the Shareholders and answer their enquiries.

CONSTITUTIONAL DOCUMENTS

During the Year, there were no changes in the constitutional documents of the Company.

The Articles of Association is available on the respective websites of the Stock Exchange and the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ABOUT THIS REPORT

Oriental University City Holdings (H.K.) Limited (the "**Group**") presents the Environmental, Social and Governance ("**ESG**") Report (the "**ESG Report**") for the year ended 30 June, 2019, which covers environmental and social impacts, polices of the Group and its major subsidiaries to demonstrate our continuous commitment to sustainability. Additional Information in relation to the Group's corporate governance and financial performance can be found in our 2019 Annual Report.

This ESG report has been prepared in compliance with the "Environmental, Social and Governance Reporting Guide" (the "**ESG Reporting Guide**") under Appendix 20 of the GEM Listing Rules 17.103 of The Stock Exchange of Hong Kong Limited ("**SEHK**"). Those aspects and Key performance indicators ("**KPI**") defined in the ESG Reporting Guide which are considered to be relevant and material to the Group's businesses and operations will be presented under four subject areas, namely Environmental Protection, Employment and Labour practices, Operating Practices and Community Investment.

2. ENVIRONMENTAL PROTECTION

2.1 Overview

The Group know that the quality of environment protection is very important to achieve of long-term development. The Group do its best to ensure that the concept of environmental sustainability is integrated into every part of our daily business operation. The Group keep on monitoring all types of changes of in the ways of producing waste and/or utilizing energy during the process of carrying on our business activities.

During the Year, the Group did not note any non-compliance of environmental laws and regulations, and the Group has taken adequate measures to reduce waste in accordance with applicable environmental policies and standards during its business.

2.2 Emissions

The Group understands the importance of environmental protections. It actively implements multiple measures for environmental protection in its operations and formulates various management policies to reduce emissions.

In view of the principal business of the Group, i.e. educational facilities leasing, the Group has not produced a notable level of air and water pollutants. The Group upholds the principles of environmental protection management and is committed to the proper handling and disposal of all emissions and wastes. Specific have already been taken, which include:

- Maintaining an indoor temperature at an optional level for comfort;

- Installing LED lighting system in the offices. Saves power by implementing automatic lights off during non-business hours and providing manual override switch for all non-emergency lighting;
- Encouraging the employees to switch off the computers and monitors when not utilised, setting office machines such as copiers and TV monitors to switch of automatically after office hours;
- Encouraging the employees to make the best use of modern telecommunication system to avoid unnecessary travel arrangement;
- Putting up signage emphasizing the importance of energy saving at offices are in place;
- Performed minimal renovations, by re-using existing flooring, furniture etc.;
- Works closely with various local governments in Langfang City, Hebei Province, to promote PRC environment protection strategies to our tenants; and
- Promotes the knowledge of environmental protection to students and staff in its campus and advocates students therein to sort their trash into separate bins.

With the above measures in place, the total electricity consumption of the Group was 51,628 KWh and 40,528 kg of CO_2 was generated from electricity used for our operations for the Year (2018:53,477 KWh and 41,979 kg). The total water consumption of the Group was 4,750 tons during the Year (2018:4,860 tons).

2.3 Non-hazardous wastes

In addition to energy saving initiatives, the Group also promotes other environmental friendly measures to endeavor to generate minimal non-hazardous waste (such as used paper and heat supply system) throughout our operation. For examples, adjusts the heat supply system to low settings during the winter vacation period to reduce heat waste ultimately. Furthermore, all employees are encouraged to reduce paper usage by using double-sided papers and by a frequent use of electronic information systems for material sharing or internal administrative documents as part of our environmental protection campaigns.

In the future, we will continue our commitment in environmental protection and strive to build a greener and healthier environment to fulfil our responsibilities as a member of the community we all live in.

3. EMPLOYMENT AND LABOUR PRACTICES

3.1 Compliance with Labour Laws

As at June 30, 2019, the total number of employees being employed by the Group was 23 (2018: 17). The Group understands that human resource is one of its most important valuable assets.

The Group safeguards the rights of the employees by strictly complying with the requirements of the Labour Law of the PRC. The Group provided welfare schemes concerning pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and medical insurance for employees in accordance with the local regulations including the Regulations on the Administration of Housing Provident Funds and the Social Insurance Law of the PRC.

Summaries of the total employee by gender and age, and turnover rate by gender of the Group for the Year (with comparative figures for the year ended June 30, 2018) are disclosed as follows:

Total employee by gender:

Gender	Number of Employee	
	2019	2018
Male	**13**	8
Female	**10**	9
Total	**23**	17

Employee by age:

Age	Number of Employee	
	2019	2018
Below 30	**2**	1
30-40	**9**	7
40-50	**6**	4
Over 50	**6**	5
Total	**23**	17

Employee turnover by gender:

Gender	Number of Employee	
	2019	2018
Male	**0**	1
Female	**0**	0
Total	**0**	1

3.2 Training and Recruitment

We acknowledge the importance of training for the development of our employees. To ensure to provide high quality service for our customer, the Group offers professional training program to our employees including knowledge of their work, good manners, effective communication, human resources, firefighting and so on. Through education and training, the Group can enhance the employees' personal qualities, reinforce their skill-sets and keep up with the most advanced professional knowledge that their position may require.

The Group respect culture and individual diversity, we aim to uphold a fair and equitable human resource policy, in which quality and merit of the candidates are the most important elements to be assessed during the recruitment and promotion processes. The Group offers equal employment opportunities to different genders, age groups and nationalities such that a sound of diversify of human resources can be achieved.

3.3 Health and Work Safety

The Group is committed to providing and maintaining a safe and health working environment for all employees.

In order to strengthen employees' work safety awareness and to reduce number and severity of injuries and accidents, the Group has developed health and safety policies including prohibition of smoking in the workplace, abuse of alcohol and drugs, identification and prevention of risks and hazards in our campus, and follow-up actions for accidents or personal injuries. We require our employees to strictly adhere to and comply with such policies, which are set out in our employee handbook.

4. OPERATING PRACTICE

4.1 Supply Chain Management

As an university city, one of our missions is to provide high quality education facilities to our contract colleges. During our selection process for suppliers and contractors, we not only consider economical and commercial factors in the tendering processes but also make a serious assessment of their compliance with all the applicable laws and regulations; safeguard workers' health and safety; and mitigate environmental impacts. To maintain a good corporate control and governance, the Group has developed a series of management systems and procedures to be aligned with the Corporate Governance required by the Stock Exchange. In addition, the Group encourages all business partners to develop energy-saving and consumption-reducing policies in order to work together in our pursuit of sustainable development.

4.2 Product Responsibility

The Group's main business is leasing education facilities, comprising primarily teaching buildings and dormitories to education institutions in the PRC and Malaysia. We endeavor to improve our educational facilities to provide a beautiful and livable campus to our Contract Colleges, and create a comfortable and harmonious environment for students.

4.3 Data Privacy

We ensure strict compliance with the statutory requirements to fully meet a high standard of security and confidentiality of personal data privacy protection. We highly respect personal data privacy and are firmly committed to preserving the data protection principles during our business operation. We require our employee to strictly follow full procedures of handing company confidential information set out in our confidentiality management policy handbook.

4.4 Anti-corruption

We aim to maintain the highest standards of openness, uprightness and accountability and all our staff are expected to observe the highest standards of ethical, personal and professional conduct. We do not tolerate corruption, bribery, extortion, money-laundering and other fraudulent activities in connection with any of our business operations.

In addition to the code of conduct on anti-bribery and anti-corruption mentioned in the Staff Manual, we have issued relevant whistle-blowing procedures in setting up a private communication channel on reporting suspicious fraudulent actions to the Company's management directly. Ongoing review of the effectiveness of the internal control systems is conducted on a regular basis in preventing the occurrence of corruption activities.

5. COMMUNITY CONTRIBUTION

The Group is committed to improving the society through continuous community involvement. We support the local community though different means including employee volunteering and personal donations. Both the Group and its employees have put their best effort in helping the local communities and people in need in the society. During the Year, the Group made charitable donation of RMB1.0 million (2018: RMBNil).

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TO THE MEMBERS OF ORIENTAL UNIVERSITY CITY HOLDINGS (H.K.) LIMITED
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Oriental University City Holdings (H.K.) Limited (the "Company") and its subsidiaries (hereafter referred to as the "Group") set out on pages 60 to 133, which comprise the consolidated statement of financial position as at 30 June 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

VALUATION OF INVESTMENT PROPERTIES

Refer to Notes 4(f), 5(a) and 15(a) to the consolidated financial statements.

The Group's investment properties were carried at fair value of RMB1,174,532,000 as at 30 June 2019 which was based on valuations performed by an independent firm of professionally qualified valuers.

Investment properties were significant to the consolidated financial statements of the Group. The valuation of investment properties requires significant judgement and estimation in determining the appropriate valuation methodology to be used and in estimating the underlying assumptions to be applied. There is a risk that the carrying amount of investment properties may be significantly changed if the valuation methodology adopted and the key assumptions applied by the valuers are varied.

OUR RESPONSE:

During our audit, we conducted the following audit procedures, amongst others, to address this key audit matter:

(i) evaluating the competence, capabilities and objectivity of the external valuers;

(ii) considering the appropriateness of the methodology and assumptions adopted in the valuation with the assistance of our own valuation specialist;

(iii) checking, on a sample basis, the accuracy and relevance of the input data used; and

(iv) assessing the adequacy of the disclosures made in the consolidated financial statements in respect of the valuation of investment properties including the relationship between the key unobservable input and fair value.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and Corporate Information, Chairman's Statement, Biographical Details of Directors and Senior Management, Report of Directors, Corporate Governance Report, Environmental, Social and Governance Report, Investment Properties and Financial Summary, which are expected to be made available to us after that date.

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

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

When we read Corporate Information, Chairman's Statement, Biographical Details of Directors and Senior Management, Report of Directors, Corporate Governance Report, Environmental, Social and Governance Report, Investment Properties and Financial Summary, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

BDO Limited
Certified Public Accountants
Chan Tsz Hung
Practising Certificate Number: P06693

Hong Kong, 16 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	6	76,451	67,311
Government grants	8	400	—
Employee costs	9	(2,984)	(2,496)
Depreciation of property, plant and equipment	14	(332)	(339)
Business taxes and surcharges		(380)	(323)
Property taxes and land use taxes		(12,610)	(12,131)
Property management fee		(6,877)	(6,356)
Repairs and maintenance		(1,529)	(1,259)
Legal and consulting fees		(4,440)	(4,105)
Other (losses)/gains, net	7	(508)	4,232
Other expenses		(3,878)	(3,095)
Share of results of associates	16	(1,999)	9,008
Gain on de-recognition of an available-for-sale financial asset	16	—	1,335
Operating profit before fair value change on investment properties		41,314	51,782
Fair value gains on investment properties	15	5,302	170,406
Operating profit		46,616	222,188
Interest expense on bank borrowings		(953)	(2,585)
Interest income		998	545
Profit before income tax	8	46,661	220,148
Income tax	12	(15,183)	(55,402)
Profit for the year		31,478	164,746
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences from translation of foreign operations		113	254
Share of other comprehensive income of associates	16	1,979	(3,398)
Fair value losses on available-for-sale financial asset, net	16	—	(793)
Reclassification adjustment on de-recognition of an available-for-sale financial asset	16	—	(1,335)
Other comprehensive income for the year		2,092	(5,272)
Total comprehensive income for the year		33,570	159,474

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 RMB'000	2018 RMB'000
Profit attributable to			
– Owners of the Company		**31,144**	163,223
– Non-controlling interests		**334**	1,523
		31,478	164,746
Total comprehensive income attributable to			
– Owners of the Company		**33,236**	157,951
– Non-controlling interests		**334**	1,523
		33,570	159,474
Earnings per share for profit attributable to the owners of the Company during the year	13		
– Basic (RMB per share)		**0.17**	0.91
– Diluted (RMB per share)		**0.17**	0.91

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	14	**5,125**	5,371
Investment properties	15	**1,174,532**	1,155,987
Interests in associates	16	**77,908**	77,928
Deposit paid for acquisition of investment properties	17	**54,833**	—
Prepayments for purchase of investment properties and other investment	17	**—**	28,295
Total non-current assets		**1,312,398**	1,267,581
Current assets			
Trade and other receivables	18	**9,497**	5,366
Restricted cash		**3,018**	—
Cash and cash equivalents		**2,218**	26,562
Total current assets		**14,733**	31,928
Current liabilities			
Trade and other payables and accruals	19	**6,980**	16,831
Advances from customers		**3,141**	2,833
Bank borrowings, secured	20	**2,296**	2,266
Current tax liabilities		**1,785**	1,139
Total current liabilities		**14,202**	23,069
Net current assets		**531**	8,859
Total assets less current liabilities		**1,312,929**	1,276,440
Non-current liabilities			
Trade and other payables and accruals	19	**14,373**	—
Bank borrowings, secured	20	**12,572**	14,723
Deferred tax liabilities	21	**121,060**	112,071
Total non-current liabilities		**148,005**	126,794
NET ASSETS		**1,164,924**	1,149,646

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	2019 RMB'000	2018 RMB'000
Capital and reserves attributable to owners of the Company			
Share capital	22	**290,136**	290,136
Reserves	23	**864,907**	849,963
		1,155,043	1,140,099
Non-controlling interests		**9,881**	9,547
TOTAL EQUITY		**1,164,924**	1,149,646

On behalf of the Board

Chew Hua Seng *Chairman and Executive Director*	Liu Ying Chun *Chief Executive Officer and Executive Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

		Reserves								
	Share capital RMB'000 (Note 22)	Other reserves RMB'000 (Note 23)	Available for-sale financial asset reserve RMB'000 (Note 23)	Retained profits RMB'000	Exchange reserve RMB'000 (Note 23)	Proposed final dividend RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 July 2017	411,936	(71,025)	2,128	642,825	3,374	6,278	995,516	8,024	1,003,540
Profit for the year	—	—	—	163,223	—	—	163,223	1,523	164,746
Exchange differences from translation of foreign operations	—	—	—	—	254	—	254	—	254
Share of other comprehensive income of associates	—	—	—	—	(3,398)	—	(3,398)	—	(3,398)
Fair value losses on available-for-sale financial asset	—	—	(793)	—	—	—	(793)	—	(793)
Reclassification adjustment on de-recognition of an available-for-sale financial asset	—	—	(1,335)	—	—	—	(1,335)	—	(1,335)
Total comprehensive income for the year	—	—	(2,128)	163,223	(3,144)	—	157,951	1,523	159,474
Capital reduction (Note 22)	(121,800)	—	—	121,800	—	—	—	—	—
2017 proposed final dividend paid	—	—	—	159	—	(6,278)	(6,119)	—	(6,119)
2018 interim dividend paid (Note 24)	—	—	—	(7,249)	—	—	(7,249)	—	(7,249)
2018 proposed final dividend (Note 24)	—	—	—	(10,620)	—	10,620	—	—	—
Balance at 30 June 2018 and 1 July 2018	**290,136**	**(71,025)**	—	**910,138**	**230**	**10,620**	**1,140,099**	**9,547**	**1,149,646**
Profit for the year	—	—	—	31,144	—	—	31,144	334	31,478
Exchange differences from translation of foreign operations	—	—	—	—	113	—	113	—	113
Share of other comprehensive income of associates	—	—	—	—	1,979	—	1,979	—	1,979
Total comprehensive income for the year	—	—	—	31,144	2,092	—	33,236	334	33,570
2018 proposed final dividend paid	—	—	—	—	—	(10,620)	(10,620)	—	(10,620)
2019 interim dividend paid (Note 24)	—	—	—	(7,672)	—	—	(7,672)	—	(7,672)
Balance at 30 June 2019	**290,136**	**(71,025)**	—	**933,610**	**2,322**	—	**1,155,043**	**9,881**	**1,164,924**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	2019 RMB'000	2018 RMB'000
Cash flows from operating activities		
Profit before income tax	46,661	220,148
Adjustments for:		
Interest income	(998)	(545)
Depreciation of property, plant and equipment	332	339
Fair value gains on investment properties	(5,302)	(170,406)
Share of results of associates	1,999	(9,008)
Gain on de-recognition of an available-for-sale financial asset	—	(1,335)
Unrealised net foreign exchange	1,082	(3,876)
Operating profit before working capital changes	43,774	35,317
(Increase)/decrease in trade and other receivables	(1,127)	3,878
Increase/(decrease) in trade and other payables and accruals	2,385	(5,995)
Increase in advance from customers	308	860
Cash generated from operations	45,340	34,060
Income taxes paid	(5,565)	(3,803)
Net cash generated from operating activities	39,775	30,257
Cash flows from investing activities		
Interest received	998	545
Decrease in pledged bank deposit	—	20,000
Increase in restricted cash	(3,018)	—
Increase in deposit paid for acquisition of investment properties	(54,833)	—
Refund of prepayment for investment properties	25,000	—
Increase in prepayments for investment properties and other investment	—	(3,295)
Purchase of property, plant and equipment, investment properties and other investment	(12,430)	(1,886)
Return of capital from an associate	—	7,775
Decrease/(increase) in amounts due from related companies included in other receivables	291	(356)
Net cash generated (used in)/from investing activities	(43,992)	22,783

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	2019 RMB'000	2018 RMB'000
Cash flows from financing activities		
Proceeds from bank borrowings	—	12,229
Repayment of bank borrowings	(2,289)	(45,700)
Increase in amounts due to related companies included in other payables	9,386	48
Dividends paid	(25,541)	(6,119)
Net cash used in financing activities	(18,444)	(39,542)
Net (decrease)/increase in cash and cash equivalents	(22,661)	13,498
Cash and cash equivalents at beginning of year	26,562	14,278
Effect of foreign exchange rate changes, net	(1,683)	(1,214)
Cash and cash equivalents at end of year	2,218	26,562
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand	2,218	26,562

1. GENERAL

Oriental University City Holdings (H.K.) Limited (the "Company") is a limited liability company incorporated in Hong Kong. Its shares are listed on GEM of The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section in the annual report. The Group, comprising the Company and its subsidiaries, is mainly engaged in the provision of education facilities leasing services in the People's Republic of China (the "PRC") and Malaysia.

The directors of the Company consider that the Company's ultimate parent is Raffles Education Corporation Limited ("REC"), a company incorporated in Singapore, whose shares are listed on Singapore Exchange Securities Trading Limited.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 July 2018

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfer of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

Except as explained below, the adoption of these amendments has no material impact on the Group's financial statements.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *– continued*

(a) Adoption of new/revised HKFRSs – effective 1 July 2018 *– continued*

HKFRS 9 – Financial Instruments

(i) Classification of measurement of financial instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 July 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

On 1 July 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. No reclassifications are necessary in this aspect.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss ("FVTPL"), where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVOCI"); or (iii) FVTPL (as defined above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *continued*

(a) Adoption of new/revised HKFRSs – effective 1 July 2018 – *continued*

HKFRS 9 – Financial Instruments – continued

(i) Classification of measurement of financial instruments – continued

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

– It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

– It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset; and

– The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *– continued*

(a) Adoption of new/revised HKFRSs – effective 1 July 2018 *– continued*

HKFRS 9 – Financial Instruments – continued

(i) Classification of measurement of financial instruments – continued

The following accounting policies would be applied to the Group's financial assets as follows:

Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 July 2018.

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 July 2018 under HKAS 39 RMB'000	Carrying amount as at 1 July 2018 under HKFRS 9 RMB'000
Trade and other receivables	Loans and receivables	Amortised cost	5,366	5,366
Cash and cash equivalents	Loans and receivables	Amortised cost	26,562	26,562

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

(a) Adoption of new/revised HKFRSs – effective 1 July 2018 – continued

HKFRS 9 – Financial Instruments – continued

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the expected credit loss ("ECL") model. HKFRS 9 requires the Group to recognise ECLs for trade receivables and other financial assets at amortised cost earlier than HKAS 39. Restricted cash and cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current year.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; or (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *continued*

(a) Adoption of new/revised HKFRSs – effective 1 July 2018 – *continued*

HKFRS 9 – Financial Instruments – continued

(ii) Impairment of financial assets – continued

Measurement of ECLs – *continued*

For other financial assets, the ECLs are based on the 12-month ECLs. The 12-month ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *continued*

(a) Adoption of new/revised HKFRSs – effective 1 July 2018 – *continued*

HKFRS 9 – Financial Instruments – continued

(ii) Impairment of financial assets – continued

Impact of the ECL model

(a) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a lifetime ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the number of days past due.

The impairment loss for trade receivables as at 1 July 2018 was as follows:

	Expected loss rate (%)	Gross carrying amount RMB'000	Impairment loss RMB'000
Neither past due nor impaired	N/A	—	—
1 to 3 months past due	N/A	—	—
More than 3 months but less than 12 months past due	—	205	—
More than 12 months past due	100	491	491
		696	491

No additional impairment for trade receivables as at 1 July 2018 was recognised as the amount of impairment measured under the ECL model is immaterial.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *– continued*

(a) Adoption of new/revised HKFRSs – effective 1 July 2018 *– continued*

HKFRS 9 – Financial Instruments – continued

(ii) Impairment of financial assets – continued

Impact of the ECL model – *continued*

(b) Impairment of deposits and other receivables

Other financial assets at amortised cost of the Group includes deposit paid for acquisition of investment properties, amounts due from related companies and other receivables. The Group applies the 3-stage approach (i.e. the general approach as detailed in Note 31(a)) to measure ECLs for other financial assets. No additional impairment for deposits paid for acquisition of investment properties, amount due from related companies and other receivables was recognised upon the transition of HKFRS 9 as of 1 July 2018 and 30 June 2019.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 30 June 2018, but are recognised in the statement of financial position on 1 July 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 July 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The determination of the business model within which a financial asset is held have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA").

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *continued*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3 Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11 Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12 Income Taxes[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 23 Borrowing Costs[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019

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

3 No mandatory effective date yet determined but available for adoption

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *continued*

(b) New/revised HKFRSs that have been issued but are not yet effective – *continued*

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarify that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition-date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition-date fair value.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *continued*

(b) New/revised HKFRSs that have been issued but are not yet effective – *continued*

Amendments to HKAS 1 and HKAS 8 – Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

Amendments to HKFRS 10 and HKAS 28 (2011) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendments clarify that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulate that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Amendments to HKFRS 3 – Definition of a Business

The amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *continued*

(b) New/revised HKFRSs that have been issued but are not yet effective – *continued*

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVOCI if specified conditions are met, instead of at FVTPL.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group will adopt HKFRS 16 from 1 July 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 July 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – *continued*

(b) New/revised HKFRSs that have been issued but are not yet effective – *continued*

HKFRS 16 – Leases – continued

The total future minimum lease payments under non-cancellable operating leases of the Group as at 30 June 2019 is RMB Nil. The directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial performance. Unless the exemptions allowed by the standard on lease contracts who lease terms end within 12 months as of the date of initial application are applicable, it is expected that the Group has to separately recognise the interest expense on the lease liabilities and the depreciation expense on the right-of-use assets, and that certain portion of the future minimum lease payments under the Group's operating leases will be required to be recognised in the Group's consolidated statement of financial position as right-of-use assets and lease liabilities. The Group will also be required to remeasure the lease liabilities upon the occurrence of certain events (e.g. a change in the lease term) and recognise the amount of the remeasurement of the lease liabilities as an adjustment to the right-of-use assets. In addition, payments for the principal portion of the lease liabilities will be presented within financing activities in the Group's consolidated statement of cash flows.

HK(IFRIC) – Int 23 – Uncertainty over Income Tax Treatments

The interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. Except for those disclosed above, the Group has so far concluded that the application of these new pronouncements will have no material impact on the Group's financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for investment properties, which are measured at fair values as explained in the accounting policies set out below.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Subsidiary

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of reporting period. A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary is consolidated from the date on which control is transferred to the Group. It is de-consolidated from the date that control ceases.

(i) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition-date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(a) Subsidiary – *continued*

Consolidation – continued

(i) Business combination – continued

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(ii) Changes in ownership interest in a subsidiary without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, which are transactions with the owners of subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of the subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(b) Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interests in the associates are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associates. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, investments in associates are carried at cost less impairment losses, if any. The results of associate are accounted for by the Company on the basis of dividends received and receivable during the year.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Company's executive directors, who makes strategic decisions.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Group companies

The results and financial position of all the group companies (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each profit or loss items are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	Over the shorter of the lease terms of land and 50 years
Furniture, fittings and equipment	3-7 years
Machinery	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(f) Investment properties

Investment properties, principally comprising land use rights and buildings, are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases is accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recognised in profit or loss.

(g) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(h) Financial instruments (accounting policies applied from 1 July 2018)

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as follow:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(h) Financial instruments (accounting policies applied from 1 July 2018) – *continued*

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECLs on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(h) Financial instruments (accounting policies applied from 1 July 2018) – *continued*

(ii) Impairment loss on financial assets – continued

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due, depending on credit worth of customers.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, other payables and accruals, amounts due to related companies and bank borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(h) Financial instruments (accounting policies applied from 1 July 2018) – *continued*

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(i) Financial instruments (accounting policies applied until 30 June 2018)

(i) Financial assets

Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than twelve months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(i) Financial instruments (accounting policies applied until 30 June 2018) – *continued*

(i) Financial assets – continued

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the assets. Loans and receivables are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from the investments have been expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(ii) Financial liabilities

Classification

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Recognition and measurement

Financial liabilities at amortised cost including trade, other payables and accruals and bank borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(i) Financial instruments (accounting policies applied until 30 June 2018) – *continued*

(iv) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(v) Impairment loss on financial assets

Loans and receivables

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(j) Offsetting financial instruments

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

(k) Cash and cash equivalents and restricted cash

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks.

For restricted cash, such amount is placed in a designated bank account for a specified use.

(l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(m) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the entities within the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(m) Current and deferred income tax – *continued*

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(n) Employee benefits

(i) Pension obligations

Pursuant to the relevant local regulations in the PRC, the PRC subsidiary of the Group participate in government defined contribution retirement benefit schemes and is required to contribute to the scheme to fund the retirement benefits of the eligible employees. Contributions made to the schemes are calculated based on certain percentages of the applicable payroll costs or fixed sums for each employee with reference to a salary scale, as stipulated under the requirements in the PRC. The Group has no further obligation beyond the required contributions. All contributions made to the schemes are not refundable or forfeitable. The contributions under the schemes are expensed as incurred.

(ii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of reporting period are discounted to present value.

(iii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities. Revenue is shown net of discount and after eliminating revenue made between the group companies. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Rental income

Rental income received and receivable from investment properties is recognised in profit or loss on a straight-line basis over the term of lease.

Interest income

Interest income is recognised using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(q) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

(i) The Group is the lessee other than operating lease of land use rights

Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(ii) The Group is the lessee under operating lease of land use rights

Land use rights under operating lease, which mainly comprised land use rights to be developed for self-use buildings, are stated at cost and subsequently amortised in profit or loss on a straight-line basis over the operating lease periods.

(iii) The Group is the lessor

Assets leased out under operating leases are included in investment properties.

(r) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

(s) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

4. SIGNIFICANT ACCOUNTING POLICIES – *continued*

(s) Related parties – *continued*

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated fair value of investment properties

The fair value of investment properties is determined using valuation technique. Details of the judgements and assumptions have been disclosed in Note 15.

(b) Impairment of financial assets

The Group makes allowance for impairment on financial assets based on assumptions about probability of default and loss given default. The Group uses judgement in making these assumptions and selecting the inputs to the ECL calculations, based on the Group's historical credit loss experience, existing market conditions as well as forward-looking estimates at the end of the reporting period.

6. SEGMENT REPORTING AND REVENUE

The executive directors of the Company, who are the CODM of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors of the Company that are used to make strategic decisions.

Management regularly reviews the operating results from a service category perspective. The reportable operating segments derive their revenue primarily from education facilities leasing. As the revenue from the commercial leasing for supporting facilities was below 10% of the total revenue during the current and prior years, business segment information is not considered necessary.

As the executive directors consider that most of the Group's revenue and results are derived from education facilities leasing and commercial leasing for supporting facilities in the PRC and no significant consolidated assets of the Group are located outside the PRC, geographical segment information is not considered necessary.

6. SEGMENT REPORTING AND REVENUE – *continued*

Analysis of revenue by category for the year is as follows:

	2019 RMB'000	2018 RMB'000
Revenue:		
– Education facilities leasing	71,639	63,800
– Commercial leasing for supporting facilities	4,812	3,511
	76,451	67,311

Information about major customers

The Group's revenue was derived from the following external customers that individually contributed more than 10% of the Group's revenue for the year:

	2019 RMB'000	2018 RMB'000
College A	46,947	43,138
College B	7,656	8,409
	54,603	51,547

7. OTHER (LOSSES)/GAINS, NET

	2019 RMB'000	2018 RMB'000
Net foreign exchange (losses)/gains	(1,082)	3,876
Others	574	356
	(508)	4,232

8. PROFIT BEFORE INCOME TAX

This is arrived at after charging/(crediting):

	2019 RMB'000	2018 RMB'000
Auditor's remuneration	1,495	785
Direct operating expenses arising from investment properties that generated rental income during the year	19,006	17,211
Direct operating expenses arising from investment properties that did not generate rental income during the year	4,867	4,889
Government grants (Note)	(400)	—
Gain on de-recognition of an available-for-sale financial asset	—	(1,335)

Note:

Government grant has been received from Langfang Economics and Technological Development Zone Management Committee (for identification purpose only) in relation to the outstanding performance of the PRC subsidiary. There is no unfulfilled conditions or contingencies relating to this grant.

9. EMPLOYEE COSTS

	2019 RMB'000	2018 RMB'000
Employee costs (including directors' emoluments) comprise:		
Wages and salaries	2,522	2,093
Other allowances and benefits	193	212
Contributions to defined contribution retirement plans	269	191
	2,984	2,496

10. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance, Cap. 622 and the Companies (Disclosure of Information about Benefits of Directors) Regulation, Cap. 622G is as follows:

2019	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive Director				
Chew Hua Seng	—	—	—	—
Liu Ying Chun	—	—	—	—
Non-executive Director				
He Jun (resigned on 31 October 2018)	55	—	—	55
Independent Non-executive Director				
Lam Bing Lun, Philip	154	—	—	154
Wilson Teh Boon Piaw	154	—	—	154
Tan Yeow Hiang, Kenneth	154	—	—	154
Guo Shaozeng (appointed on 20 December 2018)	81	—	—	81
	598	—	—	598

2018	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Total RMB'000
Executive Director				
Chew Hua Seng	—	—	—	—
Liu Ying Chun	—	—	—	—
Non-executive Director				
He Jun	143	—	—	143
Independent Non-executive Director				
Lam Bing Lun, Philip	143	—	—	143
Wilson Teh Boon Piaw	143	—	—	143
Tan Yeow Hiang, Kenneth	143	—	—	143
	572	—	—	572

10. DIRECTORS' EMOLUMENTS – *continued*

No director waived any emolument during the years ended 30 June 2018 and 2019.

During the years ended 30 June 2018 and 2019, Mr. Chew Hua Seng, a director of the Company, is also a director of REC, whose emoluments were borne by REC.

During the years ended 30 June 2018 and 2019, Mr. Liu Ying Chun, a director of the Company, whose emoluments were borne by REC.

11. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, three (2018: two) were directors of the Company whose emoluments are included in the disclosures in Note 10 above. The emoluments of the remaining two (2018: three) individuals were as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other benefits	544	690
Contributions to defined contribution retirement plans	23	21
	567	711

Their emoluments fell within the following band:

	2019 Number of Individuals	2018 Number of individuals
HK$Nil to HK$1,000,000 (equivalent to approximately RMB870,000 (2018: RMB831,000))	2	3

12. INCOME TAX

The amount of income tax in the consolidated statement of profit or loss and other comprehensive income represents:

	2019 RMB'000	2018 RMB'000
Current tax		
– Corporate income tax for the year	6,222	4,489
– Over-provision in respect of prior years	(11)	(221)
	6,211	4,268
Deferred tax (Note 21)	8,972	51,134
Income tax	15,183	55,402

PRC corporate income tax

The corporate income tax rate applicable to the Group's entity located in the PRC (the "PRC Subsidiary") is 25% pursuant to the Corporate Income Tax Law of the PRC (the "PRC CIT of Law").

PRC withholding income tax

According to the PRC CIT Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower withholding tax rate of 5% may be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfill requirements under the tax treaty arrangements between the PRC and Hong Kong.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the Group did not have assessable profit in Hong Kong during the current and prior years.

12. INCOME TAX – *continued*

Malaysian income tax

The Malaysian income tax rate applicable to the Group's entity located in Malaysia is 24%.

The income tax for the year can be reconciled to the profit before income tax in the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 RMB'000	2018 RMB'000
Profit before income tax	**46,661**	220,148
Tax calculated at applicable domestic tax rates	**12,127**	54,152
Tax effect of share of results of associates	**632**	(2,637)
Tax effect of expenses not deductible for tax purposes	**2,637**	5,060
Tax effect of revenue not taxable for tax purposes	**(202)**	(952)
Over-provision in respect of prior years	**(11)**	(221)
Income tax	**15,183**	55,402

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

	2019 RMB'000	2018 RMB'000
Earnings		
Earnings for the purposes of basic earnings per share	**31,144**	163,223
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**180,000,000**	180,000,000

The Company did not have any potential ordinary shares outstanding during the current and prior years. Diluted earnings per share are equal to basic earnings per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture, fittings and equipment RMB'000	Machinery RMB'000	Total RMB'000
Cost				
At 1 July 2017	5,074	3,487	8,839	17,400
Additions	—	3	147	150
Disposals	—	(50)	—	(50)
At 30 June 2018 and 1 July 2018	5,074	3,440	8,986	17,500
Additions	—	39	47	86
Disposals	—	—	(44)	(44)
At 30 June 2019	5,074	3,479	8,989	17,542
Accumulated depreciation				
At 1 July 2017	368	2,730	8,742	11,840
Depreciation	130	178	31	339
Eliminated on disposals	—	(50)	—	(50)
At 30 June 2018 and 1 July 2018	498	2,858	8,773	12,129
Depreciation	130	175	27	332
Eliminated on disposals	—	—	(44)	(44)
At 30 June 2019	628	3,033	8,756	12,417
Net carrying value				
At 30 June 2019	4,446	446	233	5,125
At 30 June 2018	4,576	582	213	5,371

15. INVESTMENT PROPERTIES

The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is as follows:

	2019 RMB'000	2018 RMB'000
Fair value		
At beginning of year	**1,155,987**	981,516
Additions	**12,344**	1,736
Exchange realignment	**899**	2,329
Change in fair value	**5,302**	170,406
At end of year	**1,174,532**	1,155,987

(a) Valuation

Independent valuations of the Group's investment properties were performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL Limited"), an independent firm of professionally qualified valuers, to determine the fair value of the Group's investment properties as at 30 June 2019, adopting a valuation method using significant unobservable inputs (Level 3).

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the years ended 30 June 2018 and 2019.

Valuation basis

The Group obtains independent valuations for its investment properties at least annually. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

15. INVESTMENT PROPERTIES – *continued*

(a) Valuation – *continued*

Valuation basis – continued

The best evidence of fair value is current prices in an active market for similar investment leases and other contracts. Where such information is not available, the directors consider information from a variety of sources including:

(i) Current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

(ii) Discounted cash flow projections based on reliable estimates of future cash flows.

(iii) Capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

Valuation techniques

Fair value of completed investment properties are generally derived using the income capitalisation approach.

Income capitalisation approach (term and reversionary method) largely uses observable inputs (e.g. market rent, yield, etc.) and takes into account the significant adjustment on term yield to account for the risk upon reversionary and the estimation in vacancy rate after expiry of current lease.

15. INVESTMENT PROPERTIES – *continued*

(a) Valuation – *continued*

Valuation techniques – continued

Information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value as at 30 June 2019 RMB'000	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Completed investment properties in the PRC	1,081,465	Income capitalisation approach	Unit monthly rent (RMB/sq.m.)	Teaching: 24.9 (2018: 20.7 – 24.0) Dormitory: 12.5 – 21.7 (2018: 18.7 – 23.5) Retail: 12.2 – 19.9 (2018: 18.5)	The higher the unit monthly rent, the higher the fair value
			Reversionary yield	5.0% – 5.5% (2018: 8.5%)	The higher the reversionary yield, the lower the fair value
Construction in progress in the PRC	17,798	Residual method	Unit gross development value (RMB/sq.m.)	3,056.71 (2018: N/A)	The higher the unit gross development value, the higher the fair value
Completed investment properties in Malaysia	75,269	Income capitalisation approach	Unit monthly rent (Malaysian Ringgit ("RM")/psf)	4.55 (2018: 3.80)	The higher the unit monthly rent, the higher the fair value
			Yield rate	4.75% (2018: 5%)	The higher the yield, the lower the fair value

(b) As at 30 June 2019, investment properties of RMB75,269,000 are pledged to secure a banking facility of the Group (2018: RMB74,102,000) (Note 20).

(c) There were no changes to the valuation techniques during the year. The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

16. INTERESTS IN ASSOCIATES

	2019 RMB'000	2018 RMB'000
Share of net assets other than goodwill	**75,256**	75,276
Goodwill	**2,652**	2,652
	77,908	77,928

Details of the associates are as follows:

Name	Place of incorporation, operation and principal activity	Percentage of ownership interest 2019	2018
Axiom Properties Limited ("Axiom")	Australia, property investment and development in Australia	**19.01%**	19.26%
4 Vallees Properties Limited ("4 Vallees")	Singapore, leasing of hospitality assets and commercial real estate in Switzerland	**24.61%**	24.61%

Notwithstanding that the Group's ownership interest in Axiom is less than 20%, the Group has the right to appoint representative on the board of directors of Axiom. The directors of the Company therefore considered the Group has the power to exercise significant influence and accounted for the interest in Axiom as an associate since the date the Group has the significant influence.

During the year ended 30 June 2018, the Group acquired additional 13.58% equity interests in 4 Vallees on an enlarged basis at a cash consideration of SGD5,421,000 (equivalent to approximately RMB26,636,000), and since then, the Group held a 24.61% equity interests in 4 Vallees and it is accounted for as an associate of the Group therefrom.

Immediate before the acquisition of the additional equity interests in 4 Vallees, the fair value of the then 12.77% equity interests in 4 Vallees was measured by reference to a valuation performed by Colliers International Limited, an independent firm of professionally qualified valuers, at RMB18,076,000. Hence, a fair value loss on available-for-sale financial asset of RMB793,000 was recognised in other comprehensive income during the year ended 30 June 2018. Upon the de-recognition of the Group's equity interest in 4 Vallees as available-for-sale financial asset, the related accumulated fair value changes in available-for-sale financial asset reserve of RMB1,335,000 was charged to the profit or loss.

16. INTERESTS IN ASSOCIATES – *continued*

For the year ended 30 June 2019

	4 Vallees RMB'000	Axiom RMB'000	Total RMB'000
Reconciled to the Group's interests in associates			
Gross amounts of net assets of the associates	213,944	118,903	
Group's effective interest	24.61%	19.01%	
Groups share of net assets of the associates	52,652	22,604	75,256
Goodwill	—	2,652	2,652
	52,652	25,256	77,908

For the year ended 30 June 2018

	4 Vallees RMB'000	Axiom RMB'000	Total RMB'000
Reconciled to the Group's interests in associates			
Gross amounts of net assets of the associates	201,294	133,634	
Group's effective interest	24.61%	19.26%	
Groups share of net assets of the associates	49,538	25,738	75,276
Goodwill	—	2,652	2,652
	49,538	28,390	77,928

16. INTERESTS IN ASSOCIATES – *continued*

Summarised financial information of Axiom is as follows:

	2019 RMB'000	2018 RMB'000
As at 30 June		
Current assets	46,327	60,164
Non-current assets	74,556	76,519
Current liabilities	(1,980)	(3,049)
Non-current liabilities	—	—

	2019 RMB'000	2018 RMB'000
Revenue	2,179	19,289
(Loss)/profit for the year	(12,529)	42,711
Other comprehensive income	(3,957)	(15,178)
Total comprehensive income	(16,486)	27,533
Return of capital received by the Group	—	(7,775)

16. INTERESTS IN ASSOCIATES – *continued*

Summarised financial information of 4 Vallees is as follows:

	2019 RMB'000	2018 RMB'000
As at 30 June		
Current assets	48,824	46,378
Non-current assets	251,638	238,518
Current liabilities	(7,279)	(6,097)
Non-current liabilities	(79,239)	(77,505)

	2019 RMB'000	Period ended 30 June 2018 RMB'000
Revenue	5,083	5,076
Profit for the year	1,556	3,178
Other comprehensive income	11,094	(1,930)
Total comprehensive income	12,650	1,248

17. DEPOSIT PAID FOR ACQUISITION OF INVESTMENT PROPERTIES/PREPAYMENTS FOR PURCHASE OF INVESTMENT PROPERTIES AND OTHER INVESTMENT

Deposit paid for acquisition of investment properties

Pursuant to the Sale and Purchase Agreement dated 29 August 2018, the Sale and Purchase Agreement as amended by the First Addendum, the Second Addendum and the Supplemental Agreement on 31 December 2018, 21 January 2019 and 13 June 2019 respectively, the Company, as the purchaser, has conditionally agreed to acquire certain properties situated in the PRC at a consideration of RMB252,370,000 (the "Consideration") through the acquisition of the entire equity interest of Langfang TongRui Education Consultancy Co., Ltd. from REC, as the Seller.

In respect of the Consideration, the Company shall pay RMB75,711,000, representing 30% of the Consideration, as the deposit, to be settled by way of cash upon the signing of the Second Addendum; and on the completion date, the Company shall issue convertible note in the value of HK$200,379,982 (equivalent to approximately RMB176,659,000) representing 70% of the Consideration, entitling the Seller (or its nominee) to convert at the conversion price of HK$2.30 per conversion share into a maximum of 87,121,731 conversion shares.

As at 30 June 2019, the Group paid RMB54,833,000 of deposits to REC and its subsidiaries (excluding the Group, collectively as "REC Group"). The Company and the Seller conducted negotiations on the payment of the remaining balance of deposit, i.e. RMB20,878,000, and the Seller agreed to extend a grace period, without the payment of any interest, penalty or compensation by the Company until 31 December 2019.

As at 30 June 2019 and the date of these financial statements, the acquisition of the properties has not been completed.

Prepayments for purchase of investment properties and other investment

As at 30 June 2018, included in the balances was an amount of RMB25,000,000 paid for purchase of construction materials for the construction of dormitories; and the remaining balance was a prepayment made in connection with potential acquisition of land in Mongolia of USD500,000 (equivalent to RMB3,295,000).

Please refer to Notes 18 and 32(a) for more details.

18. TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	515	205
Other receivables (Note)	8,982	5,161
	9,497	5,366

Note:

Included in the balance as at 30 June 2019 were (i) an amount due from an associate of RMB65,000 (2018: RMB356,000), which was unsecured, interest-free, repayable on demand and non-trade in nature; and (ii) a loan advance with principal amount of RMB3,295,000 (2018: RMBNil) to an independent third party, which was transferred from the prepayment made in connection with potential acquisition of land in Mongolia as at 30 June 2018 (Note 17) and was interest-bearing at a daily rate of 0.05%.

The carrying amounts of the Group's trade and other receivables approximate their fair values.

The majority of the Group's revenue is receipt in advance. Revenue from education facilities leasing and commercial leasing for supporting facilities is settled by instalments in accordance with the payment schedules specified in the agreements. The aging analysis of trade receivables (net of impairment) by revenue recognition date is as follows:

	2019 RMB'000	2018 RMB'000
Within 3 months	330	—
3 months to 6 months	185	205
	515	205

The Group recognised impairment loss for trade and other receivables the years ended 30 June 2018 and 2019 based on the accounting policies set out in Notes 4(h) and 4(i) respectively. No addition/(reversal) of impairment loss considered necessary as at 1 July 2018 and 30 June 2019 upon the application of HKFRS 9.

19. TRADE AND OTHER PAYABLES AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Trade payables	3,201	3,001
Other payables and accruals (Note)	18,152	13,830
	21,353	16,831

Note:

Included in other payables as at 30 June 2019 were (i) interim dividend payable of RMBNil (2018: RMB7,249,000); and (ii) amounts due to REC Group of RMB9,434,000 (2018: RMB48,000), which were unsecured, interest-free, shall not be payable before July 1, 2020 and non-trade in nature (2018: unsecured, interest-free, repayable on demand and non-trade in nature).

Reconciliation of trade payables and other payables and accruals:

	2019 RMB'000	2018 RMB'000
Current	6,980	16,831
Non-current	14,373	—
	21,353	16,831

Trade payables are generated by the daily maintenance costs for the education facilities. The aging analysis of the trade payables based on invoice date is follows:

	2019 RMB'000	2018 RMB'000
Within 3 months	1,685	1,483
3 months to 6 months	1,474	1,403
6 months to 12 months	8	58
Over 1 year	34	57
	3,201	3,001

20. BANK BORROWINGS, SECURED

	2019 RMB'000	2018 RMB'000
Bank borrowings due for repayment:		
– Within one year	2,296	2,266
– After one year but within two years	2,147	2,266
– After two years but within five years	1,915	3,378
– After five years	8,510	9,079
	12,572	14,723
	14,868	16,989

Notes:

(a) Bank borrowings are interest-bearing at floating rates. The interest rates of the Group's bank borrowings as at 30 June 2019 granted under banking facilities ranged from 2.87% to 7.36% (2018: 4.95% to 6.22%) per annum.

(b) As at 30 June 2018 and 2019, the banking facilities of the Group were secured by certain investment properties of the Group (Note 15) and corporate guarantee of the Company.

(c) As at 30 June 2018 and 2019, the carrying amount of bank borrowings granted from a bank in Malaysia that is not repayable within one year from the end of the reporting period but contains repayment on demand clause amounted to RMB12,572,000 (2018: RMB14,273,000).

The directors of the Company have obtained legal opinion that, in accordance with the case laws established in Malaysia, the mere inclusion of a repayment on demand clause in a term loan agreement governed under the laws of Malaysia would not allow the banks to early terminate the facilities granted and to seek immediate repayment from the borrower unless there is a breach by the borrower, as the clause would not override other terms and conditions provided in the term loan agreement.

Accordingly, the liability associated with the bank borrowings of the Group raised in Malaysia that contained a repayment on demand clause is classified as current and/or non-current liability as at 30 June 2018 and 2019 in accordance with other terms and conditions as stated in the term loan agreement.

21. DEFERRED TAX LIABILITIES

Details of the deferred tax liabilities recognised and movements during the current and prior years are as follows:

	Revaluation of investment properties RMB'000
At 1 July 2017	60,907
Charged to profit or loss (Note 12)	51,134
Exchange realignment	30
At 30 June 2018 and 1 July 2018	112,071
Charged to profit or loss (Note 12)	8,972
Exchange realignment	17
At 30 June 2019	121,060

22. SHARE CAPITAL

The share capital as at 30 June 2018 and 2019 represented the issued share capital of the Company as follows:

Issued and fully paid	Number of ordinary shares Shares	Share capital HK$	Share capital RMB
As at 1 July 2017	180,000,000	516,320,500	411,936,000
Capital reduction (Note)	—	(150,000,000)	(121,800,000)
As at 30 June 2018, 1 July 2018 and 30 June 2019	180,000,000	366,320,500	290,136,000

Note:

Pursuant to a resolution regarding the reduction of the issued share capital of the Company by HK$150,000,000 (equivalent to RMB121,800,000) (the "Capital Reduction") passed in the general meeting held on 3 May 2018, the credit arising from the Capital Reduction has been applied towards offsetting the accumulated deficit of the Company as at the effective date (i.e. 11 June 2018), thereby reducing the accumulated deficit of the Company.

23. RESERVES

The Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

The following describes the nature and purpose of reserves within owners' equity:

Reserve	Description and purpose
Other reserves	On consolidation, the reserves mainly arose from group reorganisation in prior years.
Available-for-sale financial asset reserve	Gains or losses arising on recognising financial assets classified as available-for-sale at fair value.
Exchange reserve	Gains or losses arising on retranslating the net assets of foreign operations into presentation currency.

The Company

Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Available-for-sale financial asset reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000
Balance at 1 July 2017	2,128	(66,176)	6,278	(57,770)
Profit for the year	—	944	—	944
Reclassification adjustment on de-recognition of an available-for-sale financial asset	(793)	—	—	(793)
Fair value loss on available-for-sale financial asset	(1,335)	—	—	(1,335)
Capital reduction (Note 22)	—	121,800	—	121,800
2017 proposed final dividend paid	—	159	(6,278)	(6,119)
2018 interim dividend paid	—	(7,249)	—	(7,249)
2018 proposed final dividend	—	(10,620)	10,620	—
Balance at 30 June 2018 and 1 July 2018	—	38,858	10,620	49,478
Profit for the year	—	5,705	—	5,705
2018 proposed final dividend paid	—	—	(10,620)	(10,620)
2019 interim dividend paid	—	(7,672)	—	(7,672)
Balance as at 30 June 2019	—	36,891	—	36,891

24. DIVIDENDS

	2019 RMB'000	2018 RMB'000
2019 Interim dividend declared and paid – HK5.0 cents (equivalent to approximately RMB4.4 cents) per share	7,672	—
2018 Proposed final dividend and paid – HK7.0 cents (equivalent to approximately RMB5.9 cents) per share	—	10,620
2018 Interim dividend declared and paid – HK5.0 cents (equivalent to approximately RMB4.1 cents) per share	—	7,249

The Board has resolved not to recommend the payment of any final dividend for the year (2018: HK7.0 cents per Share).

25. LEASES

Operating leases – lessor

The Group's investment properties are leased to tenants under operating leases with lease term ranging from one to ten years. The minimum rent receivables under non-cancellable operating leases are as follows:

	2019 RMB'000	2018 RMB'000
Not later than one year	14,924	11,507
Later than one year but not later than five years	16,506	20,261
More than five years	2,140	4,180
	33,570	35,948

26. COMPANY'S STATEMENT OF FINANCIAL POSITION

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Investments in subsidiaries	27	**335,133**	335,133
Investments in associates		**62,951**	62,951
Prepayment for purchase of other investment		—	3,295
Deposit paid for acquisition of investment properties		**54,833**	—
		452,917	401,379
Current assets			
Other receivables		**3,656**	356
Amounts due from subsidiaries		**48,647**	47,058
Amount due from an associate		**65**	—
Cash and cash equivalents		**12**	20,716
		52,380	68,130
Current liabilities			
Other payables and accruals		**2,052**	9,060
Amount due to a subsidiary		**167,834**	120,835
		169,886	129,895
Net current liabilities		**(117,506)**	(61,765)
Total assets less current liabilities		**335,411**	339,614
Non-current liabilities			
Amounts due to related companies		**8,384**	—
Total non-current liabilities		**8,384**	—
NET ASSETS		**327,027**	339,614
Capital and reserves			
Share capital	22	**290,136**	290,136
Reserves	23	**36,891**	49,478
TOTAL EQUITY		**327,027**	339,614

On behalf of directors

Chew Hua Seng
Chairman and Executive Director

Liu Ying Chun
Chief Executive Officer and Executive Director

27. INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of the subsidiaries which principally affected the results, assets or liabilities of the Group during the year ended 30 June 2019:

Name	Form of business structure	Place of establishment/ operation and principal activity	Description of paid-up registered capital	Percentage of ownership interest, voting rights and profit share
Langfang Development Zone Oriental University City Education Consultancy Co., Ltd. # 廊坊開發區東方大學城教育諮詢有限公司	Corporation	PRC, provision of education facilities rental services in the PRC	RMB 263,500,000	99%
OUC Malaysia Sdn. Bhd.	Corporation	Malaysia, provision of education facilities rental services in Malaysia	RM 2,000,000	100%

The English name of the subsidiary represented the best effort by management of the Company in translating its Chinese name as it does not have official English name.

28. RELATED PARTY TRANSACTIONS

The Group is controlled by REC and Mr. Chew Hua Seng, the founding shareholder of REC, is the ultimate beneficial owner of the Group.

(a) Transactions with related parties

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following related party transactions:

	2019 RMB'000	2018 RMB'000
Rental income received from fellow subsidiaries:		
Raffles College of Higher Education Sdn. Bhd.	**3,359**	3,441
Langfang Development Zone Shenglong Property Management Service Co., Ltd#	**13**	76
Langfang Tonghui Education Consultancy Co., Ltd.#	**63**	—
	3,435	3,517

The transactions were carried out in the normal course of the business activities of the Group and were conducted at terms mutually agreed by the respective parties.

As at 30 June 2019, the Group paid the deposit of RMB54,833,000 to REC Group in relation to the acquisition of investment properties as stipulated in Note 17.

The English name of the company represented the best effort by management of the Company in translating its Chinese name as it does not have official English name.

(b) Compensation of key management personnel

The emoluments of the key management personnel during the year comprised only the directors whose remuneration is set out in Note 10.

29. CAPITAL COMMITMENTS

	2019 RMB'000	2018 RMB'000
Construction of an investment property	12,788	—
Acquisition of investment properties (Note 17)	197,537	—
	210,325	—

30. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following shows the carrying amount and fair value of financial assets and liabilities:

	2019 RMB'000	2018 RMB'000
Financial assets		
Loans and receivables, at amortised cost		
– Deposit paid for acquisition of investment properties	54,833	—
– Trade and other receivables	9,497	5,366
– Restricted cash	3,018	—
– Cash and cash equivalents	2,218	26,562
Financial liabilities		
Financial liabilities, at amortised cost		
– Trade and other payables	20,359	16,049
– Bank borrowings, secured	14,868	16,989

31. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Credit risk

Credit risk is the potential financial loss resulting from the tenants defaulting to pay rental fees when due, resulting in a loss to the Group. During the year ended 30 June 2019, the Group provided education facilities leasing and commercial leasing for supporting facilities to five largest customers (2018: five) which accounts to 87.5% (2018: 91.8%) of the Group's total revenue. As at 30 June 2018 and 2019, none (2018: Nil) of trade receivables due from these five customers.

Cash are placed with licensing banks which are all high-credit-quality financial institutions. Management expects the counterparty would be able to meet its obligations.

Accordingly, the ECLs for restricted cash, cash and cash equivalents were expected to be minimal.

The carrying amounts of trade receivables, deposits and other receivables, restricted cash and cash and cash equivalents included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets which carry significant exposure to credit risk.

Impairment of trade receivables

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix based on days past due for groupings of customer segments that have similar loss patterns.

31. FINANCIAL RISK MANAGEMENT – *continued*

(a) Financial risk factors – *continued*

(i) Credit risk – continued

Impairment of trade receivables – *continued*

The following tables provide information about the Group's exposure to credit risk and ECLs for the trade receivables as at 30 June 2019:

	Expected loss rate (%)	Gross carrying amount RMB'000	Loss allowance RMB'000
Neither past due nor impaired	—	330	—
1 to 3 months past due	N/A	—	—
More than 3 months but less than 12 months past due	—	185	—
More than 12 months past due	100	491	491
		1,006	491

Expected loss rates are based on actual loss experience over the past three years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The following table reconciled the impairment loss on trade receivables for the year:

	2019 RMB'000	2018 RMB'000
At 1 July	491	491
Impairment loss recognised	—	—
At 30 June	491	491

During the year ended 30 June 2019, loss allowance of RMB491,000 remains since no additional trade receivables in the band of more than 12 months past due noted.

31. FINANCIAL RISK MANAGEMENT – *continued*

(a) Financial risk factors – *continued*

(i) Credit risk – continued

Impairment of other receivables

The Group measures loss allowances for other receivables using the general approach under HKFRS 9. Impairment of these receivables and deposits was provided based on the "three-stage" model by referring to the changes in credit quality since initial recognition.

These receivables and deposits that are not credit-impaired on initial recognition are classified in "Stage 1" and have their credit risk continuously monitored by the Group. The ECL is measured on a 12-month basis.

– If a significant increase in credit risk (as defined in accounting policy Note 4(h)) since initial recognition is identified, the financial asset is moved to "Stage 2" but it not yet deemed to be credit-impaired. The ECL is measured on lifetime basis.

– If the financial asset is credit-impaired (as defined in accounting policy Note 4(h)), the financial asset is then moved to "Stage 3". The ECL is measured on lifetime basis.

– At Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortised cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

31. FINANCIAL RISK MANAGEMENT – *continued*

(a) Financial risk factors – *continued*

(i) Credit risk – continued

Impairment of other receivables – *continued*

The following table provides information about the Group's exposure to credit risk and ECLs for other receivables as at 30 June 2019:

	12-month ECLs Stage 1 RMB'000	Lifetime ECLs Stage 2 RMB'000	Lifetime ECLs Stage 3 RMB'000	Gross carrying amount RMB'000
Deposit paid for acquisition of investment properties	54,833	—	—	54,833
Other receivables	4,293	—	4,689	8,982

Expected loss rate adopted on the receivables classified in Stage 3 is 100% while the expected loss rate adopted on the receivables and deposits classified in Stage is 0.5% to 2.0%. As at 30 June 2019, loss allowance for other receivables and deposits under Stage 1 and Stage 3 amounted to RMB350,000 and RMB4,689,000 respectively.

No provision was made against the gross amount of deposit paid for acquisition of investment properties and other receivables as at 30 June 2018 and 2019 as the provision are immaterial.

31. FINANCIAL RISK MANAGEMENT – *continued*

(a) Financial risk factors – *continued*

(ii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding. Management believes that liquidity risk has been mitigated during the years ended 30 June 2018 and 2019.

To manage the liquidity risk, management monitors rolling forecasts of cash and cash equivalents on the basis of expected cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and equity funding.

The following table details the remaining contractual maturities of the Group's non-derivative financial liabilities, which is based on contractual undiscounted cash flows (including interest payments computed using contractual rates, if floating, based on rates current at the year-end dates) and the earliest date the Group can be required to pay.

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within one year RMB'000	More than one year but less than two years RMB'000	More than two years but less than five years RMB'000	More than five years RMB'000
As at 30 June 2019						
Trade and other payables	20,359	20,359	5,986	14,373	—	—
Bank borrowings, secured	14,868	22,574	3,249	2,976	3,812	12,537
	35,227	42,933	9,235	17,349	3,812	12,537
As at 30 June 2018						
Trade and other payables	16,049	16,049	16,049	—	—	—
Bank borrowings, secured	16,989	19,257	4,111	2,504	3,563	9,079
	33,038	35,306	20,160	2,504	3,563	9,079

31. FINANCIAL RISK MANAGEMENT – *continued*

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce any unnecessary cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

As of 30 June 2019, the Group has bank borrowings amounted to RMB14,868,000 (2018: RMB16,989,000). The capital structure of the Group consists of equity attributable to the owners of the Company, comprising issued share capital and reserves amounted to RMB1,155,043,000 (2018: RMB1,140,099,000).

(c) Fair value estimation

The carrying amounts of the Group's financial assets including restricted cash, cash and cash equivalents, trade and other receivables, deposit paid for acquisition of investment properties and trade and other payables approximate their fair values.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31. FINANCIAL RISK MANAGEMENT – *continued*

(c) Fair value estimation – *continued*

Information about Level 3 fair value measurement

The movements of available-for-sale financial asset during the year ended 30 June 2018 in the balance of the Level 3 fair value measurements are as follows:

Unlisted equity investment

	RMB'000
As at 1 July 2017	18,869
Total gain or loss:	
– in profit or loss (included gain on de-recognition of an available-for-sale financial asset)	1,335
– in other comprehensive income (included fair value losses and reclassification adjustment on de-recognition of an available-for-sale financial asset)	(2,128)
De-recognition of an available-for-sale financial asset	(18,076)
As at 30 June 2018	—

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 30 June 2019, prepayment of RMB3,295,000 as at 30 June 2018 was transferred to other receivable, as a loan advance in Note 18.

During the year ended 30 June 2018, prepayment of RMB26,636,000 as at 30 June 2017 was capitalised as interests in associates upon the subscription of 13.58% equity interest of 4 Vallees on an enlarged basis as detailed in Note 16. In addition, carrying amount of an available-for-sale financial asset of RMB18,076,000 was reclassified to interests in associates.

During the year ended 30 June 2018, capital reduction of HK$150,000,000 (equivalent to RMB121,800,000) has been applied towards offsetting the accumulated deficit of the Company as detailed in Note 22.

(b) Reconciliation of liabilities arising from financing activities:

	Amounts due to related companies (Note 19) RMB'000	Dividend payable (Note 19) RMB'000	Bank borrowings (Note 20) RMB'000
At 1 July 2018	48	7,249	16,989
Changes from cash flows:			
Fund transfer, net	9,386	—	—
Dividends paid	—	(25,541)	—
Repayment of bank borrowings	—	—	(2,289)
	9,434	(18,292)	14,700
Other changes:			
Dividends declared	—	18,292	—
Exchange difference	—	—	168
At 30 June 2019	9,434	—	14,868

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS – *continued*

(b) Reconciliation of liabilities arising from financing activities: – *continued*

	Amounts due to related companies (Note 19) RMB'000	Dividend payable (Note 19) RMB'000	Bank borrowings (Note 20) RMB'000
At 1 July 2017	—	—	48,986
Changes from cash flows:			
Proceeds from bank borrowings	—	—	12,229
Fund transfer, net	48	—	—
Dividend paid	—	(6,119)	—
Repayment of bank borrowings	—	—	(45,700)
	48	(6,119)	(33,471)
Other changes:			
Dividends declared	—	13,527	—
Exchange difference	—	(159)	1,474
At 30 June 2018	48	7,249	16,989

INVESTMENT PROPERTIES

AT JUNE 30, 2019

Name and Location	Lease Expiry	Usage	Approximate Gross Floor Area (square metres)	Group's Interest (%)
Various land and buildings at Oriental University City, Langfang Economic and Technological Development Zone, Langfang City, Hebei Province, the People's Republic of China	Medium term	Teaching buildings	121,256	99%
		Student and staff dormitories	144,490	
		Retail	42,505	
		Ancillary facilities	3,062	
			311,313	
		Land	487,268	
Various Land and buildings at Section 88A Town of Kuala Lumpur, District of Kuala Lumpur, State of Wilagah Persekutuan Kuala Lumpur, Malaysia.	Medium term	Teaching buildings	3,754	100%
		Land	5,336	

FINANCIAL SUMMARY

The financial information relating to the year ended June 30, 2019 included in this financial summary does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance, Cap. 622 (the "Companies Ordinance") is as follows:

	For the year ended				
	2015	2016	2017	2018	**2019**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
RESULTS					
Revenue	61,588	68,619	60,336	67,311	**76,451**
Operating profit	58,217	71,045	36,189	222,188	**46,616**
Interest income	210	737	38	545	**998**
Interest expense on bank borrowings	—	—	(879)	(2,585)	**(953)**
Profit before income tax	58,427	71,782	35,348	220,148	**46,661**
Income tax credits/(expenses)	(15,777)	(18,301)	7,253	(55,402)	**(15,183)**
Profit for the year	42,650	53,481	42,601	164,746	**31,478**
Attributable to:					
Owners of the Company	42,128	52,913	42,193	163,223	**31,144**
Non-controlling interests	522	568	408	1,523	**334**

FINANCIAL SUMMARY

	As at June 30				
	2015	2016	2017	2018	**2019**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
ASSETS AND LIABILITIES					
Non-current assets	884,082	1,019,345	1,088,443	1,267,581	**1,312,398**
Current assets	123,408	43,709	43,166	31,928	**14,733**
Current liabilities	(39,240)	(41,774)	(37,492)	(23,069)	**(14,202)**
Total assets less current liabilities	968,250	1,021,280	1,094,117	1,276,440	**1,312,929**
Non-current liabilities	(35,771)	(50,863)	(90,577)	(126,794)	**(148,005)**
Net assets	932,479	970,417	1,003,540	1,149,646	**1,164,924**
CAPITAL AND RESERVES					
Share capital	411,936	411,936	411,936	290,136	**290,136**
Reserves	513,495	550,865	583,580	849,963	**864,907**
Equity attributable to owners of the Company	925,431	962,801	995,516	1,140,099	**1,155,043**
Non-controlling interests	7,048	7,616	8,024	9,547	**9,881**
Total equity	932,479	970,417	1,003,540	1,149,646	**1,164,924**

The Company will deliver the financial statements for the year ended June 30, 2019 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's respective auditors have reported on those financial statements. The auditor's reports were unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their reports; and did not contain a statement under Sections 406(2), 407(2) or (3) of the Companies Ordinance.

ANNUAL REPORT

2019

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