Oriental
UniversityCity
东方大学城

ANNUAL REPORT 2021
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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CONTENTS

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

Ms. Tung Wing Yee Winnie

COMPLIANCE OFFICER

Mr. Liu Ying Chun

AUTHORISED REPRESENTATIVES

Ms. Tung Wing Yee Winnie
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

LISTING INFORMATION

Place of Listing
GEM of The Stock Exchange of Hong Kong Limited

Stock Code
8067

Board Lot
1,000 shares

COMPANY'S WEBSITE

www.oriental-university-city.com

INDEPENDENT AUDITOR

BDO Limited
Certified Public Accountants
Registered Public Interest Entity Auditor

CORPORATE INFORMATION

REGISTERED OFFICE

31st Floor
148 Electric Road
North Point
Hong Kong

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
The PRC 065001

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**"), I present herewith the annual report of the Company and its subsidiaries (the "**Group**") for the financial year ended June 30, 2021 ("**FY2021**") to the shareholders of the Company (the "**Shareholders**").

The Group recorded a revenue of RMB65.78 million for the FY2021, representing a decrease of 15.7% from revenue of RMB78.05 million for the previous financial year. The decrease was mainly attributed to reduced leasing space and reduced period taken up by its Education Institutions tenants in the Oriental University City campus in Langfang City, Hebei Province in the PRC ("**Langfang City**"), which were impacted by the business uncertainty at the onset of the novel coronavirus disease 2019 pandemic (the "COVID-19") impact. We have since seen the business uncertainty of COVID-19 dissipated, and a majority of Education Institutions have resumed their committed lease in the financial year of 2022. In addition, the newly completed dormitories with a gross floor area of 10,567 square metres have been certified fit for occupation and to be leased out from September 2021 onwards.

Despite the operational challenges caused by COVID-19, the Group managed to stay profitable, with a net profit of RMB35.47 million attained for FY2021. This represents a decrease of 21.6% compared to the previous financial year of RMB45.26 million.

During the FY2021, the Group had redeemed its convertible note in the principal amount of HK$200.4 million. The redemption of the convertible note effectively removed the potential dilutive earnings effect of an enlarged share base and the Company would be able to manage its capital structure with greater flexibility.

I would like to extend my sincere appreciation to our Shareholders for their steadfast support and our fellow Board members for their wise counsel.

On behalf of the Board, we would like to express our sincere appreciation to our staff for their tireless dedication and commitment, and to our tenants, business associates, consultants and all other stakeholders for their support in the FY2021.

Together with the management of the Group, we remain committed in generating returns to our Shareholders.

Chew Hua Seng
Chairman
August 20, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Revenue decreased by 15.7% to RMB65.78 million compared to RMB78.05 million for the financial year ended June 30, 2020 ("**FY2020**"). The COVID-19 outbreak in the year 2020 in the PRC and the consequential movement restrictions, quarantine measures, suspension of work and stay-at-home for work and study, have affected the businesses of colleges, vocational schools, training centres and education institutions ("**Education Institutions**") that leases from the Group. This, in turn, resulted in reduction of leased space and leased period from Education Institutions in the FY2021.

Employee costs

Employee costs increased by 27.6% to RMB6.93 million from RMB5.43 million recorded in the FY2020, as this reflects the full year personnel costs for the additional employees hired in the FY2020. The employee costs were lower in the FY2020 as these additional employees, employed to manage the acquired properties, were only added in the second quarter of the FY2020.

Property management fee

Property management fee decreased by 26.9% to RMB5.03 million compared to RMB6.89 million for the FY2020, mainly due to the reduction of contractual cost for cleaning services to commensurate with the reduced leased spaces to customers.

Repairs and maintenance fees

Repairs and maintenance cost decreased by 91.8% to RMB0.30 million, compared to RMB3.61 million for the FY2020, as the Group had less maintenance cost and did not incur major expenditures such as repair and repainting of exterior building walls as compared to the FY2020.

Other (losses)/gains, net

Other losses increased by 574.2% to RMB3.71 million, compared to RMB0.55 million for the FY2020, mainly due to net foreign exchange losses resulted from the foreign operations, whose currencies weakened against RMB.

Share of results of associates

Gain on share of results of associates increased by 1,808.6% to RMB10.90 million, from RMB0.57 million in the FY2020, mainly due to higher net profit of the Company's associate, Axiom Properties Limited ("**Axiom**").

Reversal of impairment loss/(impairment loss) on an associate

A reversal of impairment loss on an associate of RMB7.01 million was recorded compared to an impairment loss of an associate of RMB9.67 million in the FY2020. The impairment of RMB7.01 million made in prior year against the carrying amount of interests in associate, Axiom, has been reversed. This reversal arose mainly due to an increase in its fair value less cost to sell of RMB11.46 million as at June 30, 2021. As at June 30, 2020, the fair value of the Group's interest in Axiom, less cost to sell, is lower than the carrying amount of its net assets. Therefore, an impairment loss of RMB9.67 million was recognised during the FY2020.

Fair value gains on investment properties

Fair value gains on investment properties increased by 40.6% to RMB51.42 million, compared to RMB36.56 million in the FY2020. The increase was primarily attributed by the higher fair value gains for investment properties located in Langfang City.

Fair value (loss)/gain on convertible note

The Group had on November 19, 2019, issued the convertible note to Raffles Education Corporation Limited ("**REC**") at par value of HK$200.38 million, as settlement for the balance purchase consideration for acquisition of certain investment properties in Langfang City, (the "**Zhuyun Properties**"). In accordance with the Hong Kong Financial Reporting Standards (the "**HKFRSs**") 2 Share-Based Payment, the Group had initially recognised the fair value of Zhuyun Properties acquired of RMB231.43 million, on completion date, November 19, 2019, based on the corresponding fair value of the convertible note of RMB155.72 million. The HK$200.38 million convertible note was valued at RMB155.72 million on initial recognition date, November 19, 2019. At the first reporting date after completion of acquisition of Zhuyun Properties, i.e. June 30, 2020, the fair value of convertible note was RMB147.18 million, resulted in a fair value gain on convertible note of RMB8.54 recorded for the FY2020.

Reference is made to the announcement of the Company dated January 15, 2021, the convertible note was redeemed at par value of HK$200.38 million in the third quarter of the current financial year and a fair value loss on convertible note of RMB24.93 million was recognised.

Interest expenses

Interest expenses increased by 347.0% to RMB13.89 million from RMB3.11 million for the FY2020, mainly due to inception of term loans obtained in the PRC and the Republic of Indonesia ("**Indonesia**").

Current tax expense

Current tax expense declined by 48.4% to RMB2.38 million from RMB4.61 million for the FY2020, mainly due to the Group having lower corporate income tax, in line with the lower taxable income.

Deferred tax expense

Deferred tax expense increased by 11.4% to RMB20.07 million from RMB18.02 million in the FY2020, in line with higher fair value gains on investment properties compared to the FY2020.

Profit for the Year

Due to the foregoing factors set out above, net profit recorded a decrease of 21.6% to RMB35.47 million compared to RMB45.26 million for the FY2020.

Other comprehensive (loss)/income

Other comprehensive loss of RMB6.97 million was recorded as compared to other comprehensive income of RMB3.75 million in the FY2020, due to fluctuations of foreign exchange differences arising from the translation of foreign operations and associate's balances against a stronger RMB.

Liquidity and Financial Resources

As at June 30, 2021, the Group has a net current liabilities of RMB25.51 million (June 30, 2020: RMB33.13 million). Included in the current liabilities are:–

(a) advance from customers of RMB3.88 million (June 30, 2020: RMB1.30 million), which will be recognised as revenue with the passage of time in accordance with the terms of the rental agreements.

(b) bank borrowings of RMB62.55 million (June 30, 2020: RMB32.21 million), which are secured by certain investment properties of the Group and the Company is confident the bank borrowings will continue to be extended by the respective banks.

As at June 30, 2021, the Group had total assets of approximately RMB1,697.91 million (June 30, 2020: RMB1,608.50 million), which were financed by total liabilities and equity of approximately RMB455.59 million and RMB1,242.32 million, respectively (June 30, 2020: RMB394.56 million and RMB1,213.94 million, respectively).

Gearing Ratio

The Group's gearing ratio as at June 30, 2021 is 22.7% (June 30, 2020: 19.6%), which is calculated based on the total bank borrowings amounting to RMB281.93 million (June 30, 2020: bank borrowings and convertible note amounting to RMB238.01 million) divided by total equity as at the respective reporting dates and then multiplied by 100%.

MANAGEMENT DISCUSSION AND ANALYSIS

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, 2021, the Group had cash and cash equivalents balance of approximately RMB28.10 million (June 30, 2020: RMB2.21 million). The cash and cash equivalents were mainly denominated in Renminbi ("**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. During FY2021, the Group did not make any foreign exchange hedging. However, 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.

BUSINESS REVIEW AND OUTLOOK

The Group owns and leases education facilities, comprising primarily teaching buildings and dormitories to Education Institutions in the PRC, Malaysia and Indonesia. The Group's education facilities are located in Langfang City, Kuala Lumpur in Malaysia, and Jakarta in Indonesia.

The Group also leases commercial spaces in Oriental University City, in Langfang City, to commercial tenants operating a range of supporting facilities, including a shopping mall, supermarket, cafe and cafeterias, bank, telecommunication companies, renovation and engineering firms, amongst others, to serve the living needs of students of the campus and residents of adjacent housing estates.

The financial performance of the Group was impacted by the business uncertainty caused by the COVID-19 in the first half of FY2021, which resulted in reduced leased space and leased period taken up by the affected Education Institutions. The business uncertainty subsequently dissipated, as we received increased interests for our vacant units and signed up several new customers for educational facilities. Going into the next financial year, we have signed up most of existing tenants, with some increasing their space requirement to pre-COVID-19 pandemic level.

Business environment is expected to be challenging due to unpredictable COVID-19 flare-ups that may occur intermittently, and we will be prudent in managing our operational costs and mitigating revenue pressures. When there is better visibility in growth outlook, we will roll out more aggressive marketing and business development efforts to secure more new tenants. The newly completed dormitories with a gross floor areas of 10,567 square metres had been certified fit for occupation and would be subsequently leased out from September 2021 onwards. This is estimated to contribute RMB1.98 million in financial year ending June 30, 2022.

As announced by the Company on August 11, 2021, the application for the proposed transfer of listing of its shares from GEM to the Main Board of the Stock Exchange, which was submitted on February 10, 2021, has lapsed. The Board believes that the lapse of the application has no material adverse effect to the business operation and/or financial performance of the Group.

The Board views that the education industry is resilient in facing the challenges posed by COVID-19 pandemic. Education industry in the PRC is expected to resume moderate growth in line with student population growth. The Group, with its oncoming supply of leasing space, is well-poised to ride the moderate growth trend, as provider of education facilities, in the medium to long terms.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL COMMITMENTS

References are made to the announcement of the Company dated March 6, 2020, and notes 17 and 30 to the financial statements, prepayment for acquisition of investment properties and capital commitments, respectively, in relation to the acquisition of investment properties in Mongolia, as at June 30, 2021, the balance purchase consideration of the said acquisition of RMB17.97 million will be paid in stages according to the various stages of construction completion as set out in the sale and purchase agreement of the Company.

The Group also undertakes renovation/refurbishment of investment properties in Langfang City, estimated at approximately RMB240 million, on progressive basis based on its funding capability.

Save as disclosed herein, as at June 30, 2021, the Group did not have any other significant investment and future plan for material investments and capital commitments.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisition and disposal of subsidiaries, associates or joint ventures in the course of FY2021.

CHARGE ON THE GROUP'S ASSETS

As at June 30, 2021, investment properties of RMB356.23 million (June 30, 2020: RMB133.91 million) 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, 2021 as compared with that as at June 30, 2020.

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at June 30, 2021 (June 30, 2020: RMB Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2021, the Group had a total of 49 full-time employees in the PRC, all of which were located in Langfang City (June 30, 2020: 53). The Group's total employee costs were approximately RMB6.93 million (FY2020: RMB5.43 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 on December 17, 2014 (the "**Share Option Scheme**") to provide an incentive to the Directors and eligible participants. No options were granted since the Listing Date. Therefore, no options were exercised or cancelled or lapsed during the FY2021 and there were no outstanding options under the Share Option Scheme as at June 30, 2021.

USE OF PROCEEDS FROM THE COMPANY'S IPO PLACEMENT

The net proceeds received by the Company from the listing on GEM by way of a placing of 45,000,000 shares of the Company (the "**Shares**") at a price of HK$2.64 each on January 16, 2015 (the "**IPO Placement**") amounted to approximately HK$75.3 million (the "**Net Proceeds**"). In light of the COVID-19 pandemic impact and the uncertain economic outlook, the Company has announced on July 22, 2020, to re-allocate the unutilised Net Proceeds raised from IPO Placement to supplement the general working capital for the ordinary operation of the Group.

The utilisation of the Net Proceeds after the re-allocation had been completed as at June 30, 2021, as set out as follows:

Purpose	**Revised allocation of Net Proceeds** (HK$ million)	**Net Proceeds utilised during FY2021** (HK$ million)	**Utilised Net Proceeds as at June 30, 2021** (HK$ million)	**Unutilised Net Proceeds** (HK$ million)
Construction of new dormitories on the campus site	31.80	2.00	31.80	–
General working capital	43.50	40.50	43.50	–

FINAL DIVIDENDS

The Board has resolved not to recommend payment of any dividend for the FY2021 (FY2020: Nil).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Chew Hua Seng (周華盛), aged 67, is the founding Director appointed on June 11, 2012 and re-designated as an executive Director and the chairman of 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 the 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 REC and its subsidiaries, excluding the Company and its subsidiaries, collectively as "**REC Group**"), a controlling Shareholder. 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. Mr. Chew was appointed as a non-executive director and chairman of Sitra Holdings (International) Limited, a company listed on the SGX-ST, with effect from October 21, 2019.

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 57, is the CEO 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. since May 2016; (iii) OUC (Italy) Pte Limited since October 2016 till August 20, 2021 (date of deregistration); (iv) Campus Residence S.r.l. since 2017 till January 27, 2021 (date of deregistration); (v) OUC (Indonesia) Pte, Ltd. since February 2020; (vi) PT OUC Jakarta Indo since February 2020; and (vii) PT OUC Thamrin Indo since February 2020, all are wholly-owned subsidiaries of the Company. Mr. Liu was appointed as a non-executive director of Axiom since November 25, 2015. Mr. Liu served as a non-executive director of REC, a company listed on the SGX-ST, from November 15, 2019 to October 30, 2020. 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 PRC (中國審計署), 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 78, 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 also served as honorary advisor to the chairman of the HKU Foundation for a few years. 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.

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 54, 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 an executive 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.

Mr. Wilson Teh Boon Piaw (鄭文鏢), aged 66, 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 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 58, 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. Mr. Guo was appointed as a non-executive director and vice chairman of Sitra Holdings (International) Limited (a company listed on the SGX-ST), with effect from October 21, 2019. 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.

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. Lee Kheng Yam, **(李景炎),** aged 45, was appointed as the financial controller in November 2019. Mr. Lee is responsible for the accounting and finance aspects of the Group. Prior to joining the Company, Mr. Lee served as Financial Controller in Foshan Nile Building Materials Trading Co., Ltd. from 2015 to 2019. Prior to that, he was the Chief Financial Officer for Kada Technology Holdings Limited from 2010 to 2013. He served as senior Finance Manager in Anglo-Eastern Plantation Management Sdn Bhd from 2008 to 2010. Mr. Lee graduated from National University of Malaysia with a bachelor's degree in Accountancy and is a member of Malaysian Institute of Accountants with 21 years' working experience in the fields of finance, accounting, commercial and business development.

Mr. Chen Guang (陳光), aged 57, was appointed as the chief operating officer of the Group in March 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 41, is the deputy general manager 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 presents the annual report together with the audited consolidated financial statements of the Group for the FY2021.

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 PRC, Malaysia and Indonesia; and to a much lesser extent, commercial leasing for supporting facilities.

RESULTS

The results of the Group for the FY2021 and the state of affairs of the Company and of the Group as at June 30, 2021 are set out in the consolidated financial statements and their accompanying notes on pages 54 to 126 of this annual report.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of any final dividend for the FY2021 (FY2020: Nil).

BOOK CLOSE DATES

For the purpose of ascertaining the entitlement of the Shareholders to attend and vote at the annual general meeting of the Company to be held on October 29, 2021 (the "**2021 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 25, 2021 (Monday)
Closure of Register of Members	October 26, 2021 (Tuesday) to October 29, 2021 (Friday) (both days inclusive)
Record date	October 29, 2021 (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 2021 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 128 and 129 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, 2021. The net increase in fair value of investment properties amounting to RMB51,421,000 (FY2020: RMB36,563,000) 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 FY2021 are set out in note 15 to the financial statements.

Details of the properties held by the Group for investment as at June 30, 2021 are set out in the section headed "Investment Properties" on page 127 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the FY2021 are set out in note 14 to the financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 28 to the financial statements.

SHARE CAPITAL

Details of the Shares issued in the FY2021 are set out in note 23 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 FY2021, the Group made charitable donation of RMB0.5 million (FY2020: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company did not redeem any of its Shares listed on GEM nor did the Company or any of its subsidiaries purchase or sell any of its Shares during the FY2021.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Company and the Group during the FY2021 are set out in note 24 to the financial statements and in the consolidated statement of changes in equity on page 58, 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 24 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's major customers and suppliers, respectively, during the FY2021 is as follows:

	Percentage of the Group's total purchase/sales
	%
The largest customer	50.7
Five largest customers in aggregate	86.1
The largest supplier	62.8
Five largest suppliers in aggregate	100.0

Save as rental income derived from Raffles College of Higher Education Sdn. Bhd and P.T. Raffles Institute of Higher Education, which collectively is one of the five largest customers during the FY2021, disclosed in note 29 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 FY2021 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 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 FY2021 or existed as at June 30, 2021.

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 FY2021 and thereafter up to the date of this report.

DIRECTORS

The Directors during the FY2021 and up to the date of this report were:

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

Independent Non-executive Directors (the "INEDs")
Mr. Lam Bing Lun, Philip
Mr. Tan Yeow Hiang, Kenneth
Mr. Wilson Teh Boon Piaw
Mr. Guo Shaozeng

In accordance with article 141 of the Articles of Association, Mr. Lam Bing Lun, Philip ("**Mr. Lam**") and Mr. Tan Yeow Hiang, Kenneth ("**Mr. Tan**") will retire from office by rotation and being eligible, have offered themselves for re-election at the 2021 AGM.

The Company has received an annual written confirmation of independence from each of the INEDs, namely Mr. Lam, Mr. Tan, Mr. Wilson Teh Boon Piaw ("**Mr. Teh**") and Mr. Guo Shao Zeng ("**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 are independent.

The biographical details of the Directors and the senior management of the Group are set out on pages 11 to 15 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Chew Hua Seng 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 2021 AGM has a service contract or a letter of appointment with the Company or its subsidiaries, which is not terminable 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 FY2021 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 Education Consultancy)	Chew Hua Seng Liu Ying Chun Ho Kah Chuan Kenneth
OUC Malaysia Sdn. Bhd. ("**OUC Malaysia**")	Liu Ying Chun Mok Kam Wah Tho Kwai Kuan
OUC (Italy) Pte Limited (deregistered on August 20, 2021)	Chew Han Wei Liu Ying Chun
Campus Residence S.r.l. (deregistered on January 27, 2021)	Chew Han Wei Liu Ying Chun
OUC (Indonesia) Pte. Ltd	Liu Ying Chun Doris Chung Gim Lian
PT. OUC Jakarta Indo	Liu Ying Chun Effendi Halim
PT. OUC Thamrin Indo	Liu Ying Chun Effendi Halim

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 FY2021 or subsisted as at June 30, 2021.

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 FY2021.

RELATED PARTY TRANSACTIONS

A summary of the related party transactions entered into by the Group during the FY2021 is contained in note 29 to the financial statements. Certain related party transactions set out in note 29 to the financial statements are regarded as 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 "Continuing Connected Transactions" below.

CONTINUING CONNECTED TRANSACTIONS

Tenancy Agreement of Properties in Malaysia

OUC Malaysia Sdn Bhd, a direct wholly-owned subsidiary of the Company, as landlord, entered into a tenancy agreement with Raffles College of Higher Education Sdn Bhd, of which 70% of its equity interest is owned by REC, 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. The tenancy was executed on arm's length terms and the annual rental payable under the tenancy agreements amounts to MYR1.91 million (approximately RMB3.06 million).

Tenancy Agreement of Properties in Indonesia

PT. OUC Thamrin Indo, a direct wholly-owned subsidiary of the Company, as landlord, has entered into a tenancy agreement with PT. Raffles Institute of Higher Education, a wholly-owned subsidiary of REC, as tenant, for the tenancy of the whole premises of 2 floors of Lippo Thamrin office tower in Jakarta, Indonesia, for a term of three years commencing on July 1, 2020 and expiring on June 30, 2023. The tenancy was executed on arm's length terms and the annual rental payable under the tenancy agreement amounts to IDR5,962.20 million (approximately RMB2.64 million).

ANNUAL REVIEW OF CONTINUING CONNECTED TRANSACTIONS

The INEDs have reviewed the above continuing connected transactions for the FY2021 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 29 to the 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 FY2021 or at any time during the FY2021.

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 FY2021; (b) no new competing business was reported by REC during the FY2021; 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 FY2021.

COMPETING INTERESTS

The Directors have confirmed that save as disclosed above, as at June 30, 2021, 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 FY2021, 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, 2021, 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, 2021 (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. Doris Chung Gim Lian ("**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, 2021, 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, 2021, 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, 2021 (i.e. 180,000,000 Shares).

Save as disclosed above, as at June 30, 2021, 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 34 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 12 of this annual report. The company secretary of the Company is Ms. Tung Wing Yee Winnie ("**Ms. Tung**"), 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 IPO PLACEMENT

Please refer to section headed "**USE OF PROCEEDS FROM THE COMPANY'S IPO PLACEMENT**" set out in the "**Management Discussion and Analysis**" on page 10 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 FY2021 and there were no outstanding options under the Share Option Scheme as at June 30, 2021.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time during the FY2021 or as of June 30, 2021 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 FY2021.
- Works closely with various local governments in Langfang City 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 "**Education Institutions**"), located in the Oriental University City in Langfang Economic and Technological Development Zone in Langfang City (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. 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 Education Institutions. For the FY2021, the Group had fourteen Education Institutions. Revenue from the five largest customers using the Group's education facilities, most of which were the Education Institutions, accounted for 86.1% of the Group's total revenue for the FY2021.

EVENT AFTER REPORTING PERIOD

The Group does not have any material subsequent event after the end of the FY2021 and up to the date of this report.

CHANGE IN INFORMATION OF DIRECTOR

Subsequent to the date of the 2021 interim report of the Company, there is no change in Director's information as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

INDEPENDENT AUDITOR

The consolidated financial statements of the Group for the FY2021 were audited by BDO, the Independent Auditor. BDO will retire, and being eligible, offer themselves for re-appointment at the 2021 AGM. A resolution for the re-appointment of BDO as the Independent Auditor will be proposed at the 2021 AGM.

On behalf of the Board

Chew Hua Seng
Chairman

Singapore, August 20, 2021

CORPORATE GOVERNANCE REPORT

The Company is committed to fulfilling its responsibilities to its 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 during the FY2021.

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 is responsible for overseeing the functions of the Board and formulating overall strategies and policies of the Company. The CEO of the Company, Mr. Liu Ying Chun, supported by the senior management, is responsible for managing the businesses of 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 FY2021.

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 FY2021.

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 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 Remuneration Committee, the Nomination Committee and 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 FY2021. 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 FY2021, five Board meetings as well as an annual general meeting (the "**AGM**") 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
Executive Directors		
Mr. Chew Hua Seng	5/5	1/1
Mr. Liu Ying Chun	5/5	1/1
INEDs		
Mr. Lam Bing Lun, Philip	5/5	1/1
Mr. Tan Yeow Hiang, Kenneth	5/5	1/1
Mr. Wilson Teh Boon Piaw	5/5	1/1
Mr. Guo Shaozeng	4/5	1/1

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 FY2021, all the Directors, namely Mr. Chew Hua Seng, Mr. Liu Ying Chun, Mr. Lam Bing Lun, Philip, Mr. Tan Yeow Hiang, Kenneth, Mr. Wilson Teh Boon Piaw and Mr. Guo Shaozeng 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 FY2021 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 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 FY2021 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, 2021 and unaudited first quarterly results for the three months ended September 30, 2020, interim results for the six months ended December 31, 2020 and third quarterly results for the nine months ended March 31, 2021 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 FY2021. The Audit Committee also carried out and discharged its other duties as set out in the CG Code.

The Audit Committee met on August 20, 2021 and among other matters, reviewed the Group's audited consolidated results for the FY2021.

The attendance of each INED at the Audit Committee meeting during the FY2021 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	3/4

(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 FY2021, 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 FY2021 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 20, 2021 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 FY2021, 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 FY2021 is as follows:

Members	**Number of meetings attended/eligible to attend**
Mr. Guo Shaozeng	0/1
Mr. Chew Hua Seng	1/1
Mr. Lam Bing Lun, Philip	1/1
Mr. Wilson Teh Boon Piaw	1/1

The Nomination Committee met on August 20, 2021 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 FY2021, the Risk Management Committee held two meetings to review amongst others, the risk management system and discuss risk management-related matters.

The attendance of each Director who was a member of the Risk Management Committee at the Risk Management Committee meeting during the FY2021 is as follow:

Members	Number of meetings attended/eligible to attend
Mr. Tan Yeow Hiang, Kenneth *(Chairman)*	2/2
Mr. Liu Ying Chun	2/2
Mr. Wilson Teh Boon Piaw	2/2

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 general meeting (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 FY2021, 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 2021 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 FY2021 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 FY2021 by band is set out below:

Remuneration band (in RMB)	Number of individuals
Nil to 500,000	2
500,001 to 1,000,000	1

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 FY2021, 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 FY2021 were audited by 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 FY2021 is set out below:

Type of Services	Fees Paid/Payable (RMB)
Assurance services	
Auditing of financial statements	780,000
Non-Assurance services	
Reporting accountants in relation to the transfer of listing	215,000
Total	995,000

COMPANY SECRETARY

The Company Secretary is Ms. Tung who has been appointed by the Board since January 22, 2021 and has been so nominated by Boardroom Corporate Services (HK) Limited ("**Boardroom**") under an engagement letter entered into between the Company and Boardroom. The primary persons of the Company with whom Ms. Tung has been contacting is Mr. Zhang Jianguang, deputy general manager, in relation to corporate secretarial matters. Ms. Tung has extensive experience in the corporate secretarial field, audit and assurance, financial management and corporate finance, gained from her working with an international accounting firm and a number of listed companies in Hong Kong. Ms. Tung is a fellow member of The Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of the CPA Australia. Ms. Tung had delivered and attended no less than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules during the FY2021.

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 and 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 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 PRC at Levels 1 and 2, 100 Zhangheng Road, Oriental University City, Langfang Economic & Technological Development Zone, Hebei Province, the PRC 065001 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 Ms. Tung at winnie.tung@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 FY2021, 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.

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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 54 to 126, which comprise the consolidated statement of financial position as at June 30, 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2021, 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF INVESTMENT PROPERTIES

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

The Group's investment properties were carried at fair value of RMB1,547,773,000 as at June 30, 2021 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 Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards 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 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 judgment 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, actions taken to eliminate threats or safeguards applied.

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, August 20, 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	6	**65,775**	78,046
Government grants		**400**	–
Employee costs	9	**(6,929)**	(5,432)
Depreciation of property, plant and equipment	14	**(428)**	(348)
Business taxes and surcharges		**(350)**	(399)
Property taxes and land use taxes		**(12,418)**	(11,337)
Property management fee		**(5,034)**	(6,885)
Repairs and maintenance		**(295)**	(3,609)
Legal and consulting fees		**(5,295)**	(4,883)
Other (losses)/gains, net	7	**(3,708)**	(550)
Other expenses		**(4,373)**	(4,139)
Share of results of associates	16	**10,898**	571
Operating profit before impairment and fair value changes		**38,243**	41,035
Impairment loss on other receivables	32	**–**	(5,937)
Reversal of impairment loss/(impairment loss) on an associate	16	**7,014**	(9,666)
Fair value gains on investment properties	15	**51,421**	36,563
Fair value (loss)/gain on convertible note	21	**(24,928)**	8,537
Operating profit		**71,750**	70,532
Interest expense on bank borrowings		**(13,892)**	(3,108)
Interest income		**61**	463
Profit before income tax	8	**57,919**	67,887
Income tax	12	**(22,446)**	(22,623)
Profit for the year		**35,473**	45,264
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences from translation of foreign operations		**(1,272)**	57
Share of other comprehensive income of associates	16	**(5,701)**	3,697
Other comprehensive income for the year		**(6,973)**	3,754
Total comprehensive income for the year		**28,500**	49,018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 RMB'000	2020 RMB'000
Profit attributable to			
– Owners of the Company		**34,891**	44,764
– Non-controlling interests		**582**	500
		35,473	45,264
Total comprehensive income attributable to			
– Owners of the Company		**27,918**	48,518
– Non-controlling interests		**582**	500
		28,500	49,018
Earnings per share for profit attributable to the owners of the Company during the year	13		
– Basic (RMB per share)		**0.19**	0.25
– Diluted (RMB per share)		**0.19**	0.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	14	**4,826**	4,891
Investment properties	15	**1,547,773**	1,506,198
Interests in associates	16	**78,889**	72,510
Prepayments for acquisition of investment properties	17	**14,738**	11,467
Total non-current assets		**1,646,226**	1,595,066
Current assets			
Trade and other receivables	18	**19,059**	10,780
Restricted cash		**4,525**	445
Cash and cash equivalents		**28,095**	2,211
Total current assets		**51,679**	13,436
Current liabilities			
Trade and other payables and accruals	19	**10,742**	11,915
Advances from customers		**3,882**	1,299
Bank borrowings, secured	20	**62,545**	32,212
Current tax liabilities		**15**	1,140
Total current liabilities		**77,184**	46,566
Net current liabilities		**(25,505)**	(33,130)
Total assets less current liabilities		**1,620,721**	1,561,936
Non-current liabilities			
Trade and other payables and accruals	19	**235**	3,072
Bank borrowings, secured	20	**219,383**	58,617
Convertible note	21	**–**	147,180
Deferred tax liabilities	22	**158,788**	139,125
Total non-current liabilities		**378,406**	347,994
NET ASSETS		**1,242,315**	1,213,942

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

	Notes	2021 RMB'000	2020 RMB'000
Capital and reserves attributable to owners of the Company			
Share capital	23	**290,136**	290,136
Reserves	24	**941,343**	913,425
		1,231,479	1,203,561
Non-controlling interests		**10,836**	10,381
TOTAL EQUITY		**1,242,315**	1,213,942

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 JUNE 30, 2021

		Reserves						
	Share capital RMB'000 (Note 23)	Other reserves RMB'000 (Note 24)	Statutory surplus reserve RMB'000 (Note 24)	Retained profits RMB'000 (Note 24)	Exchange reserve RMB'000 (Note 24)	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at July 1, 2019	290,136	(71,025)	–	933,610	2,322	1,155,043	9,881	1,164,924
Profit for the year	–	–	–	44,764	–	44,764	500	45,264
Exchange differences from translation of foreign operations	–	–	–	–	57	57	–	57
Share of other comprehensive income of associates	–	–	–	–	3,697	3,697	–	3,697
Total comprehensive income for the year	–	–	–	44,764	3,754	48,518	500	49,018
Transfer to statutory surplus reserve	–	–	939	(939)	–	–	–	–
Balance at June 30, 2020 and July 1, 2020	**290,136**	**(71,025)**	**939**	**977,435**	**6,076**	**1,203,561**	**10,381**	**1,213,942**
Profit for the year	**–**	**–**	**–**	**34,891**	**–**	**34,891**	**582**	**35,473**
Exchange differences from translation of foreign operations	**–**	**–**	**–**	**–**	**(1,272)**	**(1,272)**	**–**	**(1,272)**
Share of other comprehensive income of associates	**–**	**–**	**–**	**–**	**(5,701)**	**(5,701)**	**–**	**(5,701)**
Total comprehensive income for the year	**–**	**–**	**–**	**34,891**	**(6,973)**	**27,918**	**582**	**28,500**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(127)**	**(127)**
Transfer to statutory surplus reserve	**–**	**–**	**479**	**(479)**	**–**	**–**	**–**	**–**
Balance at June 30, 2021	**290,136**	**(71,025)**	**1,418**	**1,011,847**	**(897)**	**1,231,479**	**10,836**	**1,242,315**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2021

	2021 RMB'000	2020 RMB'000
Cash flows from operating activities		
Profit before income tax	**57,919**	67,887
Adjustments for:		
– Interest income	**(61)**	(463)
– Interest expense on bank borrowings	**13,892**	3,108
– Depreciation of property, plant and equipment	**428**	348
– Fair value gains on investment properties	**(51,421)**	(36,563)
– Fair value loss/(gain) on convertible note	**24,928**	(8,537)
– Share of results of associates	**(10,898)**	(571)
– Loss on disposal of investment properties	**765**	–
– Loss on disposal of property, plant and equipment	**141**	–
– Impairment loss of other receivables	**–**	5,937
– (Reversal of impairment loss)/impairment loss on an associate	**(7,014)**	9,666
– Unrealised net foreign exchange	**3,183**	710
Operating profit before working capital changes	**31,862**	41,522
Increase in trade and other receivables	**(8,861)**	(6,720)
(Decrease)/increase in trade and other payables and accruals	**(1,623)**	681
Increase/(decrease) in advance from customers	**2,583**	(1,842)
Cash generated from operations	**23,961**	33,641
Income taxes paid	**(3,500)**	(5,250)
Net cash generated from operating activities	**20,461**	28,391
Cash flows from investing activities		
Interest received	**61**	463
(Increase)/decrease in restricted cash	**(4,080)**	2,573
Increase in prepayments for investment properties	**(3,271)**	(7,811)
Purchase of property, plant and equipment and investment properties	**(5,736)**	(83,920)
Return of capital from an associate	**5,831**	–
Decrease/(increase) in amounts due from related companies included in other receivables	**4,154**	(4,156)
Net cash used in investing activities	**(3,041)**	(92,851)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2021

	2021 RMB'000	2020 RMB'000
Cash flows from financing activities		
Dividends paid to non-controlling interests	**(127)**	–
Proceeds from bank borrowings	**200,000**	76,522
Repayment of bank borrowings	**(2,956)**	(1,938)
Interest expense on bank borrowings	**(13,892)**	(3,108)
Repayment of convertible note	**(172,108)**	–
Decrease in amounts due to related companies included in other payables	**(2,387)**	(7,047)
Net cash generated from financing activities	**8,530**	64,429
Net increase/(decrease) in cash and cash equivalents	**25,950**	(31)
Cash and cash equivalents at beginning of year	**2,211**	2,218
Effect of foreign exchange rate changes, net	**(66)**	24
Cash and cash equivalents at end of year	**28,095**	2,211
Analysis of the balances of cash and cash equivalents		
Cash at banks and in hand	**28,095**	2,211

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"), Malaysia and Indonesia.

The directors of the Company (the "Directors") 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 July 1, 2020

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material
Conceptual Framework for Financial Reporting 2018	Conceptual Framework for Financial Reporting (Revised)

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

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.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[6]
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[6]
Amendment to HKAS 1	Disclosure of Accounting Policies[6]
Amendment to HKAS 8	Definition of Accounting Estimates[6]
Amendments to HKAS 16	Proceeds before Intended Use[4]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[7]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[3]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021[2]
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKFRS Standards	Annual Improvements to HKFRSs 2018-2020[4]

1 Effective for annual periods beginning on or after January 1, 2021
2 Effective for annual periods beginning on or after April 1, 2021
3 Effective for annual periods beginning on or after June 1, 2021
4 Effective for annual periods beginning on or after January 1, 2022
5 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 1, 2022
6 Effective for annual periods beginning on or after January 1, 2023
7 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

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 – Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The Directors do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 1 – Disclosure of Accounting Policies

The amendments to Disclosure of Accounting Policies were issued following feedback that more guidance was needed to help companies decide what accounting policy information should be disclosure. The amendments to HKAS 1 require companies to disclosure their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

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 8 – Definition of Accounting Estimates

The amendments to HKAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 16 – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

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 3 – Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Directors do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors anticipate that the application of these amendments may have an impact on the consolidated financial statements in future periods should such transaction arise.

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

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

Amendment to HKFRS 16 – Covid-19-Related Rent Concessions

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the Covid-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of Covid-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before June 30, 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Directors are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

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 16 – Covid-19-Related Rent Concessions beyond June 30, 2021

The 2021 Amendment to HKFRS 16 extends the availability of the practical expedient in paragraph 46A of HKFRS 16 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided that the other conditions for applying the practical expedient are met.

The Directors do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 – Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

The Directors do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

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 2018-2020

The annual improvements amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permits a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

- HKFRS 9, Financial Instruments, which clarifies the fees included in the "10 per cent" test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

- HKFRS 16, Leases, which amends Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- HKAS 41, Agriculture, which removes the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The Directors do not anticipate that the application of the amendments and revision in the future will have an impact on the 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 the GEM of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

(b) Basis of measurement and going concern basis

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.

As at June 30, 2021, the Group's current liabilities exceeded its current assets by approximately RMB25,505,000. Included in current liabilities was secured bank borrowings related to bank overdraft amounting to RMB28,534,000 for which the renewal is pending. In addition, the novel coronavirus disease 2019 pandemic (the "COVID-19") situation has brought additional uncertainties as to whether the Group is able to complete the renewal of the lease agreements with its tenants given that the academic year might be suspended after the commencement in September 2021. These events or conditions may cast significant doubt about the Group's ability to continue as a going concern. Nevertheless, these consolidated financial statements were prepared based on the assumption that the Group is able to operate as a going concern and the directors of the Company are of the view that the Group will have sufficient working capital to finance its operations based on a projected cash flow covering a period from the end of the reporting period to December 31, 2022 after taking account of the following events and measures:

(i) The Group has obtained a loan revolving facility amounting to RMB35,000,000 from REC for three years from June 30, 2020. The interest rate is 2.5% per annum, calculated from the date of loan redraw. Up to the date of this report, the Group had not utilised this facility;

3. BASIS OF PREPARATION – *Continued*

(b) Basis of measurement and going concern basis – *Continued*

(ii) Some major leases have completed their student enrolment phase and will commence the academic year in September 2021 and the management expected that the renewal of tenancy agreements would be completed soon;

(iii) The Group has been in the process of reviewing with its banker the bank overdraft facility and considered that the renewal would be completed on its credit history and fair value of the collateral; and

(iv) The Group would consider disposing of certain investment properties to provide further funding when the liquidity needs arise.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(a) Subsidiary – *Continued*

Consolidation – Continued

(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 HKFRS 9 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

(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 fair value through profit or loss ("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 – *Continued*

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") 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 that a more lagging default criteria is more appropriate.

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(h) Financial instruments – *Continued*

(ii) Impairment loss on financial assets – Continued

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(h) Financial instruments – *Continued*

(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) 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.

(j) 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.

(k) 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.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(l) 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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(l) Current and deferred income tax – *Continued*

(ii) Deferred income tax – Continued

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.

(m) 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.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(m) Employee benefits – *Continued*

(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.

(n) 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.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(o) 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.

(p) Leases

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Accounting as a lessor

The Group has leased out its investment property to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(q) 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.

(r) Share-based payment arrangement

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

(s) Government grants

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

4. SIGNIFICANT ACCOUNTING POLICIES – *Continued*

(t) 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.

(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 party, 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) 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.

(b) Fair value measurement

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures investment properties at fair value. Details of the fair value measurement have been disclosed in Note 15.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

– Continued

(c) Going concern consideration

The assessment of the going concern assumption involves making a judgement by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group and the Company have the capabilities to continue as going concerns and the major events and conditions, which may give rise to business risks, that individually or collectively may cast significant doubt upon the going concern assumption and related mitigating measures taken by management are set out in Note 3(b).

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.

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

	2021 **RMB'000**	2020 RMB'000
Revenue within scope of HKFRS 16:		
– Education facilities leasing	**62,768**	72,597
– Commercial leasing for supporting facilities	**3,007**	5,449
	65,775	78,046

6. SEGMENT REPORTING AND REVENUE – *Continued*

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:

	2021 RMB'000	2020 RMB'000
College A	33,357	47,197
College B	11,127	14,236

7. OTHER (LOSSES)/GAINS, NET

	2021 RMB'000	2020 RMB'000
Net foreign exchange losses	(3,183)	(710)
Loss on disposal of property, plant and equipment	(141)	–
Loss on disposal of investment properties	(765)	–
Others	381	160
	(3,708)	(550)

8. PROFIT BEFORE INCOME TAX

This is arrived at after charging/(crediting):

	2021 RMB'000	2020 RMB'000
Auditor's remuneration	995	750
Direct operating expenses arising from investment properties that generated rental income during the year	17,708	20,235
Direct operating expenses arising from investment properties that did not generate rental income during the year	5,566	6,355
Government grant (Note)	(400)	–

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

	2021 RMB'000	2020 RMB'000
Employee costs (including directors' emoluments) comprise:		
Wages and salaries	5,491	4,764
Other allowances and benefits	907	293
Contributions to defined contribution retirement plans (Note)	531	375
	6,929	5,432

Note:

For the years ended June 30, 2020 and 2021, there were neither contributions forfeited by the Group nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at June 30, 2020 and 2021, there were no forfeited contributions which were available for utilisation by the Group to reduce the existing level of contributions to the government defined contribution retirement benefit scheme.

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:

2021	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	–	–	–	–
Independent Non-executive Director				
Lam Bing Lun, Philip	145	–	–	145
Wilson Teh Boon Piaw	145	–	–	145
Tan Yeow Hiang, Kenneth	145	–	–	145
Guo Shaozeng	145	–	–	145
	580	–	–	580

2020	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	–	–	–	–
Independent Non-executive Director				
Lam Bing Lun, Philip	160	–	–	160
Wilson Teh Boon Piaw	160	–	–	160
Tan Yeow Hiang, Kenneth	160	–	–	160
Guo Shaozeng	158	–	–	158
	638	–	–	638

10. DIRECTORS' EMOLUMENTS – *Continued*

No director waived any emolument during the years ended June 30, 2020 and 2021.

During the years ended June 30, 2020 and 2021, 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 June 30, 2020 and 2021, 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, one (2020: one) were directors of the Company whose emoluments are included in the disclosures in Note 10 above. The emoluments of the remaining four (2020: four) individuals were as follows:

	2021 RMB'000	2020 RMB'000
Salaries and other benefits	**1,562**	1,173
Contributions to defined contribution retirement plans	**27**	22
	1,589	1,195

Their emoluments fell within the following band:

	2021 Number of Individuals	2020 Number of individuals
HK$Nil to HK$1,000,000 (equivalent to approximately RMB832,000 (2020: RMB913,000))	**4**	4

12. INCOME TAX

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

	2021 RMB'000	2020 RMB'000
Current tax		
– Corporate income tax for the year	1,202	3,763
– (Over)/under provision in respect of prior years	(91)	6
– Withholding tax on dividend income	1,264	836
	2,375	4,605
Deferred tax (Note 22)	20,071	18,018
Income tax	22,446	22,623

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%.

Indonesian income tax

The Indonesian income tax rate applicable to the Group's entity located in Indonesia is 25%.

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:

	2021 RMB'000	2020 RMB'000
Profit before income tax	**57,919**	67,887
Tax calculated at applicable domestic tax rates	**14,589**	17,386
Tax effect of share of results of associates	**(3,246)**	(208)
Tax effect of expenses not deductible for tax purposes	**21,937**	5,107
Tax effect of revenue not taxable for tax purposes	**(12,007)**	(504)
(Over)/under provision in respect of prior years	**(91)**	6
Withholding tax on dividend income	**1,264**	836
Income tax	**22,446**	22,623

13. EARNINGS PER SHARE

(a) Basic

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.

(b) Diluted

	2021 RMB'000	2020 RMB'000
Earnings		
Earnings for the purposes of basic earnings per share	**34,891**	44,764
Effect of dilutive potential ordinary shares:		
Change in fair value on convertible note	**–**	(8,537)
Earnings for the purposes of diluted earnings per share	**34,891**	36,227
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**180,000,000**	180,000,000
Effect of dilutive potential ordinary shares:		
– Convertible note issued by the Company	**–**	53,320,404
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	**180,000,000**	233,320,404

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Diluted earnings per share for the year ended June 30, 2021 is the same as the basic earnings per share as the conversion of potential ordinary shares in relation to the outstanding convertible loan would have an anti-dilutive effect to the basic earnings per share.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture, fittings and equipment	Machinery	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At July 1, 2019	5,074	3,479	8,989	17,542
Additions	–	63	51	114
Disposals	–	–	(59)	(59)
At June 30, 2020 and July 1, 2020	5,074	3,542	8,981	17,597
Additions	–	501	–	501
Disposals	–	(64)	(243)	(307)
Exchange alignment	–	4	–	4
At June 30, 2021	5,074	3,983	8,738	17,795
Accumulated depreciation				
At July 1, 2019	628	3,033	8,756	12,417
Depreciation	130	185	33	348
Eliminated on disposals	–	–	(59)	(59)
At June 30, 2020 and July 1, 2020	758	3,218	8,730	12,706
Depreciation	130	266	32	428
Eliminated on disposals	–	(63)	(103)	(166)
Exchange alignment	–	1	–	1
At June 30, 2021	888	3,422	8,659	12,969
Net carrying value				
At June 30, 2021	4,186	561	79	4,826
At June 30, 2020	4,316	324	251	4,891

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:

	2021 RMB'000	2020 RMB'000
Fair value		
At beginning of year	1,506,198	1,174,532
Additions	5,235	294,356
Disposal	(3,636)	–
Exchange realignment	(11,445)	747
Change in fair value	51,421	36,563
At end of year	1,547,773	1,506,198

(a) Valuation

Independent valuations of the Group's investment properties were performed by Cushman & Wakefield Limited, independent firm of professionally qualified valuers, to determine the fair value of the Group's investment properties as at June 30, 2021 (June 30, 2020: Jones Lang LaSalle Corporate Appraisal and Advisory Limited and KJPP Rengganis, Hamid & Rekan), 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 June 30, 2020 and 2021.

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 and market 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.

Market approach by making reference to the comparable market transactions as available. The market approach is based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property.

15. INVESTMENT PROPERTIES – *Continued*

(a) Valuation – *Continued*

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

Description	Fair value as at June 30, 2021 RMB'000	Fair value as at June 30, 2020 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	**1,428,900**	1,340,303	Income capitalisation approach	Unit monthly rent (RMB/sq.m.)	Teaching: 15.5 (2020: 19.4 – 27.7) Dormitory: 15.5 – 17.0 (2020: 16.5 – 21.7) Retail: 15.5 – 17.0 (2020: 11.8 – 21.5)	The higher the unit monthly rent, the higher the fair value
				Reversionary yield	8% (2020: 5.0% – 5.5%)	The higher the reversionary yield, the lower the fair value
Construction in progress in the PRC	**–**	31,981	Residual method	Unit gross development value (RMB/sq.m.)	N/A (2020: 3,553.40)	The higher the unit gross development value, the higher the fair value
Completed investment properties in Malaysia	**66,834**	74,997	Income capitalisation approach	Unit monthly rent (Malaysian Ringgit ("RM")/psf)	4.0 – 4.5 (2020: 5.07)	The higher the unit monthly rent, the higher the fair value
				Yield rate	4.25% (2020: 4.75%)	The higher the yield, the lower the fair value
Completed investment properties in Indonesia	**52,039**	58,917	Market approach	Market indicative transaction prices (Indonesian Rupiah ("IDR")/sq.m.)	56,250,000 – 58,500,000 (2020: 53,859,000 – 57,316,000)	The higher the market indicative transaction price, the higher the fair value
	1,547,773	1,506,198				

15. INVESTMENT PROPERTIES – *Continued*

(a) Valuation – *Continued*

In addition, as a result of the increased uncertainty, significant judgement is required when evaluating the inputs used in the fair value estimate. Reasonably possible changes at the reporting date to any of the relevant assumptions would have affected the fair value of the investment properties as presented below:

	2021 RMB'000 Increase/ (decrease)	2020 RMB'000 Increase/ (decrease)
Unit monthly rent decreased by 5% (2020: 5%)	**(44,575)**	(67,676)
Reversionary yield decreased by 1% (2020: 1%)	**83,130**	159,771
Unit gross development value decreased by 1% (2020: 1%)	**N/A**	(1,877)
Yield rate decreased by 0.25% (2020: 0.25%)	**(2,176)**	(3,055)
Market indicative transaction prices decreased by 5% (2020: 5%)	**(2,591)**	(2,946)

(b) As at June 30, 2021, investment properties of RMB356,233,000 are pledged to secure a banking facility of the Group (2020: RMB133,914,000) (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.

(d) On June 17, 2020, the Group had entered into a tenancy agreement with PT. Raffles Institute of Higher Education, a wholly owned subsidiary of REC, with three years rental terms commencing on July 1, 2020 of monthly rental of IDR596,220,000.

16. INTERESTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Share of net assets other than goodwill	**78,889**	79,524
Goodwill	**2,652**	2,652
Less: impairment loss (Note)	**(2,652)**	(9,666)
	78,889	72,510

Details of the associates are as follows:

Name	Place of incorporation, operation and principal activities	Percentage of ownership interest 2021	Percentage of ownership interest 2020
Axiom Properties Limited ("Axiom")	Australia, property investment and development in Australia	**19.01%**	19.01%
4 Vallees Pte. 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. As at June 30, 2021, the fair value of the Group's investment in Axiom, which is listed on the Australian Securities Exchange, based on the quoted market price is RMB26,370,000 (June 30, 2020: RMB16,345,000).

Note:

As at June 30, 2020, based on the result of the assessment, management determined that the fair value less cost to sell is lower than the carrying amount. Therefore, an impairment loss of RMB9,666,000 was recognised during the year. As the carrying amount has been reduced to its fair value less cost to sell of RMB16,345,000, any adverse change in the assumptions used in the calculation of carrying amount would result in further impairment losses.

During the year ended June 30, 2021, the fair value less costs to sell of the corresponding interest in associate has been determined as higher than the carrying amount. Accordingly, a reversal of impairment loss of RMB7,014,000 was recognised in profit or loss.

16. INTERESTS IN ASSOCIATES – *Continued*

For the year ended June 30, 2021

	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	**207,586**	**146,249**	
Group's effective interest	**24.61%**	**19.01%**	
Group's share of net assets of the associates	**51,087**	**27,802**	**78,889**
Goodwill	**–**	**2,652**	**2,652**
Impairment	**–**	**(2,652)**	**(2,652)**
	51,087	**27,802**	**78,889**

For the year ended June 30, 2020

	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	228,219	122,880	
Group's effective interest	24.61%	19.01%	
Group's share of net assets of the associates	56,165	23,359	79,524
Goodwill	–	2,652	2,652
Impairment	–	(9,666)	(9,666)
	56,165	16,345	72,510

16. INTERESTS IN ASSOCIATES – *Continued*

Summarised financial information of 4 Vallees is as follows:

	2021 RMB'000	2020 RMB'000
As at June 30		
Current assets	**44,831**	50,463
Non-current assets	**240,576**	267,534
Current liabilities	**(10,818)**	(8,290)
Non-current liabilities	**(67,003)**	(81,488)

	2021 RMB'000	2020 RMB'000
Revenue	**4,982**	5,405
Profit for the year	**1,126**	678
Other comprehensive income	**(21,758)**	13,597
Total comprehensive income	**(20,632)**	14,275

16. INTERESTS IN ASSOCIATES – *Continued*

Summarised financial information of Axiom is as follows:

	2021 RMB'000	2020 RMB'000
As at June 30		
Current assets	**135,918**	37,714
Non-current assets	**62,649**	94,999
Current liabilities	**(50,174)**	(6,628)
Non-current liabilities	**(2,144)**	(3,205)

	2021 RMB'000	2020 RMB'000
Revenue	**5,640**	1,023
Profit for the year	**55,869**	2,128
Other comprehensive income	**(1,825)**	1,847
Total comprehensive income	**54,043**	3,975
Return of capital received by the Group	**(5.831)**	–

17. PREPAYMENTS FOR ACQUISITION OF INVESTMENT PROPERTIES

Prepayments for acquisition of investment properties

As at June 30, 2021, included in the balances was prepayments of RMB14,738,000 (2020: RMB11,467,000) made for acquisition of investment properties in Mongolia at a total consideration of RMB32,712,000.

18. TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables	10,647	886
Other receivables (Note)	8,412	9,894
	19,059	10,780

Note:

Included the balance as at June 30, 2021 were (i) an amount due from an associate of RMB67,000 (2020: RMB197,000), which was unsecured, interest-free, repayable on demand and non-trade in nature; and (ii) amount due from REC Group of RMBNil (2020: RMB4,024,000).

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:

	2021 RMB'000	2020 RMB'000
Within 3 months	35	–
3 months to 6 months	1,620	781
6 months to 12 months	8,992	105
	10,647	886

The Group recognised impairment loss for trade and other receivables the years ended June 30, 2020 and 2021 based on the accounting policies set out in Notes 4(h). Further details of the Group's impairment loss for trade and other receivables are set out in Note 32(a)(i).

19. TRADE AND OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Trade payables	**1,620**	4,115
Other payables and accruals (Note)	**9,357**	10,872
	10,977	14,987

Note:

Included in other payables as at June 30, 2021 were (i) an amount due to a non-controlling interest shareholder of a subsidiary of RMBNil (2020: RMB84,000), which was unsecured, interest-free and repayable on demand; (ii) amounts due to the REC Group of RMBNil (2020: RMB36,000), which were unsecured, interest-free, repayable on demand and non-trade in nature; and (iii) amounts due to REC Group of RMBNil (2020: RMB2,267,000, which were unsecured, interest-free, shall not be payable before July 1, 2021 and non-trade in nature).

Reconciliation of trade payables and other payables and accruals:

	2021 RMB'000	2020 RMB'000
Current	**10,742**	11,915
Non-current	**235**	3,072
	10,977	14,987

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:

	2021 RMB'000	2020 RMB'000
Within 3 months	**457**	1,735
3 months to 6 months	**861**	2,066
6 months to 12 months	**–**	261
Over 1 year	**302**	53
	1,620	4,115

20. BANK BORROWINGS, SECURED

	Notes	2021 RMB'000	2020 RMB'000
Bank borrowings due for repayment:			
– Within one year	(a)	62,545	32,212
– After one year but within two years		33,606	3,797
– After two years but within five years		153,485	12,625
– After five years		32,292	42,195
	(b)	219,383	58,617
	(c), (d)	281,928	90,829

Notes:

(a) As at June 30, 2021, bank borrowings due for repayment within one year included bank overdraft (non-revolving) and term loans amounting to RMB28,534,000 (2020: RMB29,734,000) and RMB34,011,000 (2020: RMB2,478,000) respectively.

(b) As at June 30, 2020 and 2021, 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 RMB9,986,000 (2020: RMB RMB12,124,220).

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 June 30, 2020 and 2021 in accordance with other terms and conditions as stated in the term loan agreement.

(c) Bank borrowings are interest-bearing at floating rates. The interest rates of the Group's bank borrowings as at June 30, 2021 granted under banking facilities ranged from 4.60% to 8.50% (2020: 5.18% to 8.50%) per annum.

(d) As at June 30, 2020 and 2021, the banking facilities of the Group were secured by certain investment properties of the Group (Note 15) and corporate guarantee of the Company.

21. CONVERTIBLE NOTE

On November 19, 2019 (the "Issue Date"), the Company completed the acquisition of properties situated in the PRC through the acquisition of the entire equity interest of Langfang TongRui Education Consultancy Co., Ltd. from REC. The aggregate consideration of the acquisition of RMB252,370,000 was satisfied by (i) cash payment of RMB75,711,000; and (ii) the issuance of convertible note (the "Convertible Note") in the principal amount of HK$200,380,000 with a conversion price of HK$2.30 per ordinary share of the Company, which will be matured on August 29, 2028 (the Maturity Date"). The interest rate of the Convertible Note is 2.48% per annum payable every six calendar months in arrears.

The other principal terms of the Convertible Note are summarised as follows:

Conversion Shares

A maximum of 87,121,731 conversion shares ("Conversion Shares") to be issued upon full conversion of the Note represent approximately 48.40% of the existing issued share capital of the Company as at the Issue Date and approximately 32.61% of the Company's then issued share capital as enlarged by the issue of the Conversion Shares assuming there is no change in the total number of issued Shares from the Issue Date up to the allotment and issue of the Conversion Shares.

Conversion period

The holders of the Convertible Note will be able to convert the outstanding principal amount of the Convertible Note in whole or in part into Conversion Shares at any time following the relevant date of issue until the Note Maturity Date.

Transferability

The Convertible Note may only be assigned or transferred to an affiliate of REC with prior written notification made to the Company.

Conversion restriction

The conversion rights attaching to the Convertible Note cannot be exercised (and accordingly the Company will not issue Conversion Shares) if the Company believes that it would no longer fulfill the public float requirement under Rule 11.23 of the GEM Listing Rules immediately after the issue of the Conversion Shares.

21. CONVERTIBLE NOTE – *Continued*

Redemption

The issuer may, at any time before the Maturity Date by written notices to the noteholder, and with the consent of the relevant noteholder, redeem the Convertible Note (in whole or in part) of the principal amount of the part of the Convertible Note to be redeemed together with any accrued and unpaid interest. Notice to pre-pay shall be irrevocable and the Company has the right of redemption unilaterally.

The acquisition of properties is a cash-settled share-based payment transaction in accordance with the requirements of HKFRS 2 Share-Based Payment. At initial recognition, the properties acquired and the liability incurred were measured at the fair value of the liability. At each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year. Transaction costs relating to the issuance of the Convertible Note is charged to profit or loss immediately. Accordingly, the Group initially recognised the fair value of the properties acquired of RMB231,428,000 as at November 19, 2019, and the corresponding increase in fair value of the Convertible Note of RMB155,717,000. The difference between the fair values of the properties and the Convertible Note of RMB75,711,000 represented deposits paid for acquisition of investment properties amounted to RMB54,833,000, which was paid in 2019 and RMB20,878,000 was paid during the year ended June 30, 2020.

On January 15, 2021, the Company had, pursuant to the terms and conditions of the Convertible Note, given notice to REC that the Company would redeem the Convertible Note on February 16, 2021, that remained outstanding in full as at the date of such notice before the maturity at a redemption price of approximately HK$201,156,000 (equivalent to approximately RMB167,037,000; together with the outstanding interests up to the date of the notice). Accordingly, the fair value of the Convertible Note is remeasured at the date of redemption, and the increase in fair value of RMB24,928,000 was recognised during the year ended June 30, 2021.

The details and the movement of the Note was as follows:

	2021 **RMB'000**	2020 RMB'000
At beginning of year	**147,180**	–
Fair value at the Issue Date	**–**	155,717
Change in fair value	**24,928**	(8,537)
Payment	**(5,071)**	–
Derecognised upon redemption	**(167,037)**	–
At end of year	**–**	147,180

21. CONVERTIBLE NOTE – *Continued*

The fair value of the Convertible Note was based on the Binomial Pricing Model. The following inputs were applied.

	June 30, 2020	Issue Date
Discount rate	7.50%	7.50%
Fair value of each share of the Company	HK$1.15	HK$1.47
Conversion price (per share)	HK$2.30	HK$2.30
Risk free interest rate	0.35%	1.62%
Time to maturity	8.16	8.78
Expected volatility	64%	54%

22. 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 July 1, 2019	121,060
Charged to profit or loss (Note 12)	18,018
Exchange realignment	47
At June 30, 2020 and July 1, 2020	139,125
Charged to profit or loss (Note 12)	20,071
Exchange realignment	(408)
At June 30, 2021	158,788

23. SHARE CAPITAL

The share capital as at June 30, 2020 and 2021 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 July 1, 2019, June 30, 2020 and June 30, 2021	180,000,000	366,320,500	290,136,000

24. 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.
Statutory surplus reserves	Subsidiaries of the Company established in the PRC are required to transfer 10% of their profit after income tax calculated in accordance with the PRC accounting regulations to the statutory surplus reserve until the reserve reaches 50% of their respective registered capital, upon which any further appropriation will be at the recommendation of the directors of subsidiaries. Such reserve may be used to reduce any loss incurred by the subsidiaries or be capitalised as paid-up capital of the subsidiaries.
Exchange reserve	Gains or losses arising on retranslating the net assets of foreign operations into presentation currency.

24. RESERVES – *Continued*

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:

	Retained profits RMB'000	Total RMB'000
Balance at July 1, 2019	36,891	36,891
Profit for the year	4,056	4,056
Balance as at June 30, 2020 and July 1, 2020	40,947	40,947
Loss for the year	(20,079)	(20,079)
Balance as at June 30, 2021	20,868	20,868

25. DIVIDENDS

The Directors have resolved not to recommend the payment of any final dividend for the years ended June 30, 2020 and 2021.

26. 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 (2020: one to ten years). The minimum rent receivables under non-cancellable operating leases are as follows:

	2021	2020
	RMB'000	RMB'000
Not later than one year	**23,758**	20,457
Later than one year but not later than two years	**20,327**	10,723
Later than two years but not later than three years	**9,786**	8,883
Later than three years but not later than four years	**9,345**	6,749
Later than four years but not later than five years	**9,155**	7,562
More than five years	**8,358**	37,703
	80,729	92,077

27. COMPANY'S STATEMENT OF FINANCIAL POSITION

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Investments in subsidiaries	28	566,484	566,562
Interests in associates		57,120	62,951
Prepayment for acquisition of investment properties		14,738	11,467
		638,342	640,980
Current assets			
Other receivables		67	2,405
Amounts due from subsidiaries		27,819	28,875
Cash and cash equivalents		454	283
		28,340	31,563
Current liabilities			
Other payables and accruals		3,451	1,715
Amounts due to subsidiaries		352,151	192,224
Current tax liabilities		76	341
		355,678	194,280
Net current liabilities		(327,338)	(162,717)
Total assets less current liabilities		311,004	478,263
Non-current liabilities			
Other payables and accruals		–	–
Convertible note		–	147,180
Total non-current liabilities		–	147,180
NET ASSETS		311,004	331,083
Capital and reserves			
Share capital	23	290,136	290,136
Reserves	24	20,868	40,947
TOTAL EQUITY		311,004	331,083

On behalf of directors

Chew Hua Seng
Chairman and Executive Director

Liu Ying Chun
Chief Executive Officer and Executive Director

28. 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 June 30, 2021:

Name	Place of establishment/ Operation and kind of legal entity	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	PRC, limited liability company	Provision of education facilities rental services in the PRC	RMB263,500,000	99%
OUC Malaysia Sdn. Bhd.	Malaysia, limited liability company	Provision of education facilities rental services in Malaysia	RM2,000,000	100%
PT OUC Thamrin Indo	Indonesia, limited liability company	Provision of education facilities rental services in Indonesia	IDR2,500,000,000	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.

29. 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:

	Notes	2021 RMB'000	2020 RMB'000
Rental income received from fellow subsidiaries:			
Raffles College of Higher Education Sdn. Bhd.		**3,062**	3,187
PT. Raffles Institute of Higher Education		**2,643**	–
Langfang Development Zone Shenglong Property Management Service Co., Ltd#		**–**	13
Langfang Tonghui Education Consultancy Co., Ltd.#		**–**	63
		5,705	3,263
Interest expense on other borrowings paid to ultimate parent:			
REC	(i)	**177**	–
Interest expense on bank borrowings, which one of director of the bank is also the independent director of the Company			
Langfang Bank Co., Ltd#	(ii)	**8,024**	–

Notes:

(i) The Group has in July 2020 received a loan of RMB35.0 million from REC, which is interest-bearing at 2.5% and repayable in three years. This loan had been fully repaid in October 2020.

(ii) During the year ended June 30, 2021, the Group obtained a bank borrowing of RMB200,000,000, for which one of directors of the bank is also an independent non-executive director of the Company.

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.

During the year ended June 30, 2020, the Group paid the remaining deposit balance of RMB20,878,000 and issued the Convertible Note with principal amount of HK$200,380,000 (equivalent to approximately RMB176,659,000); and during the year ended June 30, 2021, the Group redeemed the Convertible Note with the outstanding amount of HK$201,156,000 (equivalent to approximately RMB168,388,000) as set out in Note 21.

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.

29. RELATED PARTY TRANSACTIONS – *Continued*

(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.

30. CAPITAL COMMITMENTS

	2021 RMB'000	2020 RMB'000
Renovation/refurbishment of investment properties	**240,241**	–
Construction of an investment property	**858**	2,358
Acquisition of investment properties (Note 17)	**17,974**	21,245
	259,073	23,603

31. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

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

	2021 RMB'000	2020 RMB'000
Financial assets		
Loans and receivables, at amortised cost		
– Trade and other receivables	**19,059**	10,780
– Restricted cash	**4,525**	445
– Cash and cash equivalents	**28,095**	2,211
Financial liabilities		
Financial liabilities, at amortised cost		
– Trade and other payables	**10,067**	13,729
– Bank borrowings, secured	**281,928**	90,829

32. 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 June 30, 2021, the Group provided education facilities leasing and commercial leasing for supporting facilities to five largest customers (2020: five) which accounts to 86.1% (2020: 89.5%) of the Group's total revenue. As at June 30, 2021, 97.8% (2020: Nil) of trade receivables due from these five customers. For the consideration of collectability, management has not made any provision for trade receivables as of 30 June 2021 and 2020. The Group believes there is no further credit risk provision required in excess of the normal provision for bad and doubtful debts.

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.

32. 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 follows:

At June 30, 2021

	Expected loss rate (%)	Gross carrying amount RMB'000	Loss allowance RMB'000	Net amount RMB'000
Neither past due nor impaired	N/A	–	–	–
1 to 3 months past due	–	35	–	35
More than 3 months but less than 12 months past due	–	10,612	–	10,612
More than 12 months past due	100	491	491	–
		11,138	491	10,647

At June 30, 2020

	Expected loss rate (%)	Gross carrying amount RMB'000	Loss allowance RMB'000	Net amount 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	–	886	–	886
More than 12 months past due	100	491	491	–
		1,377	491	886

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.

32. FINANCIAL RISK MANAGEMENT – *Continued*

(a) Financial risk factors – *Continued*

(i) Credit risk – Continued

Impairment of trade receivables – *Continued*

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

	2021	2020
	RMB'000	RMB'000
At July 1	**491**	491
Impairment loss recognised	**–**	–
At June 30	**491**	491

The credit risk on trade receivables is limited because the counterparties are with low loss rates which is estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available. During the year ended June 30, 2021, loss allowance of RMB491,000 remains since no additional trade receivables in the band of more than 12 months past due noted.

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.

32. 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 follows:

At June 30, 2021

	Expected loss rate (%)	Gross carrying amount RMB'000	Loss allowance RMB'000	Net amount RMB'000
Other receivables				
12-month ECLs – Stage 1	–	8,412	–	8,412
Lifetime ECLs – Stage 2	N/A	–	–	–
Lifetime ECLs – Stage 3	100	5,937	5,937	–
		14,349	5,937	8,412

At June 30, 2020

	Expected loss rate (%)	Gross carrying amount RMB'000	Loss allowance RMB'000	Net amount RMB'000
Other receivables				
12-month ECLs – Stage 1	–	9,894	–	9,894
Lifetime ECLs – Stage 2	–	–	–	–
Lifetime ECLs – Stage 3	100	5,937	5,937	–
		15,831	5,937	9,894

32. FINANCIAL RISK MANAGEMENT – *Continued*

(a) Financial risk factors – *Continued*

(i) Credit risk – Continued

Impairment of other receivables – *Continued*

	12-month ECLs RMB'000	Lifetime ECLs RMB'000	Total RMB'000
At July 1, 2019	–	–	–
Impairment losses recognised	–	5,937	5,937
As June 30, 2020, July 1, 2021 and June 30, 2021	**–**	**5,937**	**5,937**

During the year ended June 30, 2021, loss allowance of RMB5,937,000 remains since no additional other receivables in the band of "12-month ECLs – Stage 1" as the provision are immaterial.

32. 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 June 30, 2020 and 2021.

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 June 30, 2021						
Trade and other payables	**10,067**	**10,067**	**9,832**	**235**	**–**	**–**
Bank borrowings, secured	**281,928**	**354,921**	**82,171**	**61,125**	**172,842**	**38,783**
	291,995	**364,988**	**92,003**	**61,360**	**172,842**	**38,783**
As at June 30, 2020						
Trade and other payables	13,729	13,729	10,657	3,072	–	–
Bank borrowings, secured	90,829	123,034	37,018	8,361	25,014	52,641
	104,558	136,763	47,675	11,433	25,014	52,641

32. 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 June 30, 2021, the Group has bank borrowings amounted to RMB281,928,000 (2020: RMB90,829,000). The capital structure of the Group consists of equity attributable to the owners of the Company, comprising issued share capital and reserves.

(c) Fair value estimation

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

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

As detailed in Note 21, certain investment properties acquired during the current year was partially settled by the issuance of the Convertible Note.

(b) Reconciliation of liabilities arising from financing activities:

	Amounts due to related companies (Note 19) RMB'000	Convertible note (Note 21) RMB'000	Bank borrowings (Note 20) RMB'000
At July 1, 2020	2,387	147,180	90,829
Changes from cash flows:			
Fund transfer, net	(2,387)	–	–
Interest paid on bank borrowings	–	–	(13,892)
Proceeds from bank borrowings	–	–	200,000
Repayment of bank borrowings	–	–	(2,956)
Repayment of convertible note	–	(172,108)	–
	(2,387)	(172,108)	183,152
Other changes:			
Interest expense on bank borrowings	–	–	13,892
Fair value loss on convertible note	–	24,928	–
Exchange difference	–	–	(5,945)
At June 30, 2021	–	–	281,928

33. 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	Convertible note (Note 21) RMB'000	Bank borrowings (Note 20) RMB'000
At July 1, 2019	9,434	–	14,868
Changes from cash flows:			
Fund transfer, net	(7,047)	–	–
Interest paid on bank borrowings	–	–	(3,108)
Proceeds from bank borrowings	–	–	76,522
Repayment of bank borrowings	–	–	(1,938)
	2,387	–	71,476
Other changes:			
Interest expense on bank borrowings	–	–	3,108
Issuance of convertible note	–	155,717	–
Fair value gain on convertible note	–	(8,537)	
Exchange difference	–	–	1,377
At June 30, 2020	2,387	147,180	90,829

INVESTMENT PROPERTIES

AT JUNE 30, 2021

Name and Location	Lease Expiry	Usage	Approximate Gross Floor Area (square metres)	Group's Interest (%)
Various land and buildings at Oriental University City, Langfang Economy and Technology Development Zone, Langfang City, Hebei Province, the People's Republic of China	Medium term	Teaching buildings	207,326	99
		Student and staff dormitories	125,957	
		Retail	44,309	
		Ancillary facilities	2,966	
			380,558	
		Land	542,045	
Various Land and buildings at Section 88A Town of Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur, Malaysia	Medium term	Teaching buildings	3,754	100
		Land	5,336	
Two floors of office units at Sub-District of Gondangdia, District of Menteng, Municipality of Central Jakarta, Special Capital City of Jakarta, Indonesia	Medium term	Teaching buildings	2,092	100

FINANCIAL SUMMARY

The financial information relating to the year ended June 30, 2021 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				
	2017	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
RESULTS					
Revenue	60,336	67,311	76,451	78,046	**65,775**
Operating profit	36,189	222,188	46,616	70,532	**71,750**
Interest income	38	545	998	463	**61**
Interest expense on bank borrowings	(879)	(2,585)	(953)	(3,108)	**(13,892)**
Profit before income tax	35,348	220,148	46,661	67,887	**57,919**
Income tax expenses	7,253	(55,402)	(15,183)	(22,623)	**(22,446)**
Profit for the year	42,601	164,746	31,478	45,264	**35,473**
Attributable to:					
Owners of the Company	42,193	163,223	31,144	44,764	**34,891**
Non-controlling interests	408	1,523	334	500	**582**

FINANCIAL SUMMARY

	As at June 30,				
	2017	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
ASSETS AND LIABILITIES					
Non-current assets	1,088,443	1,267,581	1,312,398	1,595,066	**1,646,226**
Current assets	43,166	31,928	14,733	13,436	**51,679**
Current liabilities	(37,492)	(23,069)	(14,202)	(46,566)	**(77,184)**
Total assets less current liabilities	1,094,117	1,276,440	1,312,929	1,561,936	**1,620,721**
Non-current liabilities	(90,577)	(126,794)	(148,005)	(347,994)	**(378,406)**
Net assets	1,003,540	1,149,646	1,164,924	1,213,942	**1,242,315**
CAPITAL AND RESERVES					
Share capital	411,936	290,136	290,136	290,136	**290,136**
Reserves	583,580	849,963	864,907	913,425	**941,343**
Equity attributable to owners of the Company	995,516	1,140,099	1,155,043	1,203,561	**1,231,479**
Non-controlling interests	8,024	9,547	9,881	10,381	**10,836**
Total equity	1,003,540	1,149,646	1,164,924	1,213,942	**1,242,315**

The Company will deliver the financial statements for the year ended June 30, 2021 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

2021

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