立德教育有限公司

Leader Education Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code:1449

2020

Annual Report

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Liu Laixiang *(Chairman and Chief Executive Officer)*
Ms. Dong Ling
Mr. Wang Yunfu
Mr. Che Wenge

Independent Non-Executive Directors
Mr. Zhang Su
Mr. Cao Shaoshan
Mr. Chan Ngai Fan

AUTHORISED REPRESENTATIVES

Mr. Liu Laixiang
Mr. Chang Eric Jackson

COMPANY SECRETARY

Mr. Chang Eric Jackson

AUDIT COMMITTEE

Mr. Chan Ngai Fan *(Chairman)*
Mr. Zhang Su
Mr. Cao Shaoshan

REMUNERATION COMMITTEE

Mr. Zhang Su *(Chairman)*
Mr. Liu Laixiang
Mr. Cao Shaoshan

NOMINATION COMMITTEE

Mr. Liu Laixiang *(Chairman)*
Mr. Zhang Su
Mr. Cao Shaoshan

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands
Hutchins Drive

HEAD OFFICE IN PRC

Qunying Jie No. 33, Xueyuan Road
Limin Development Zone
Harbin City
Heilongjiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 26, 14/F, Solo Building
41-43 Carnarvon Road
Tsimshatsui, Kowloon
Hong Kong

CORPORATE INFORMATION

AUDITOR

Ernst & Young
Certified Public Accountants
22/F CITIC Tower, 1 Tim Mei Avenue
Central, Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW

Morgan, Lewis & Bockius

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited
(Harbin City, Jingyu Branch)
No.41, Bei Shi Liu Dao Jie
Daowai District
Harbin City
Heilongjiang Province
PRC

Harbin Bank Co., Ltd. (Songbei Branch)
No. 500, Shimao Da Dao
Songbei District
Harbin City
Heilongjiang Province
PRC

STOCK CODE

1449

COMPANY WEBSITE

www.leader-education.cn

CHAIRMAN'S STATEMENT

Dear Shareholders.

On behalf of the board of directors (the "Board") of Leader Education Limited (the "Company"), I am pleased to present to all shareholders the first comprehensive results and annual report of the Company and its subsidiaries (the "Group") for the year ended 31 August 2020 since the successful listing of the Company on the Hong Kong Stock Exchange on 6 August 2020.

RESULTS OVERVIEW

We are a large private formal higher education service provider in Heilongjiang Province, the PRC. For the 2019/2020 school years, the total number of students enrolled at Heilongjiang College of Business and Technology ("**Heilongjiang College of Business and Technology**" or "**our school**") was 8,807, representing an increase of 7.0% as compared with 8,233 for the 2018/2019 school years. During the Reporting Period, the Group recorded revenue of RMB156.1 million, representing an increase of 12.9% as compared with RMB138.2 million for the same period of last year. We offered 26 undergraduate majors in a wide selection of fields including the discipline of engineering and business management. We have been constantly optimizing our course offerings and practical training programs and exploring the opportunities of school-enterprise cooperation to equip our students with the practical and readily applicable skills sought by prospective employers. With such effort, the initial graduate employment rate of the graduates of our undergraduate program was 90.9% in the 2018/2019 school year. We believe the improvement in our graduate placement mainly attests to the effectiveness of our educational approach, which enables us to enhance our reputation, raise our profile and attract more talented prospective students.

DEVELOPMENT PLAN

Looking forward, the Group remains optimistic and confident about the prospects of private education and its related industries as well as the Group's development. The Group will grab the opportunities to expand our business operations in order to further expand its core businesses. In general, the Group will adopt the following strategies:

Expand our School Network in the PRC

In order to expand our operations, we plan to further increase the student capacity by constructing the second phase of Hanan Campus. The first phase of the construction was completed in September 2019 which increased the capacity of our school by approximately 4,440 students. The second phase of construction commenced in the latter half of 2020 and is scheduled to be completed by 2023. The expansion is likely to further increase the capacity of our school by approximately 3,000 students.

In addition, the Group is considering acquiring existing schools that offer higher education with relatively low utilization rates and/or have substantial growth potential in the PRC. The Group plans to give acquisition to schools which are private schools in northeastern China, northern China and central China providing applied sciences majors. The Group continues to explore potential acquisition targets and we will disclose the details of merger and acquisition (if any) to the public in due course.

Enrich Profession-Oriented and Applied Science Education

The Group plans to further expand and enrich our school-enterprise collaboration programs and industrial and educational integration innovation projects. For students, we intend to focus on the provision of on-campus practical training and internship opportunities in industry-leading enterprises. For teachers, we will continue to offer training programs to cultivate dual qualified teachers who possess both adequate academic background and teaching skills along with relevant industry experience and practicable knowledge. In addition, we plan to recruit well-recognized technical experts, experienced business administrators and other highly skilled professionals to teach full-time or part-time at our school.

Optimize Pricing Strategy

The Group plans to achieve increase in both tuition fee rates and student enrollment through flexible structural adjustment of our business. In addition, the Group plans to offer a two-year full-time junior college to bachelor's degree transfer program, subject to, among others, the implementation of "Administrative Measures for Higher Vocational Colleges (Junior College) to Recommend Graduates to be admitted by Undergraduate Universities in Heilongjiang Province exempting from Examinations (Trial) (《黑龍江省普通高等學校推薦應屆高職(專科)畢業生免試升入本科高校工作管理辦法(試行)》)" by the Education Department of Heilongjiang Province, the analysis of relevant market demand and our operations and financial conditions. We also aim to diversify our revenue sources to improve profitability.

Finally, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to members and employees of the Group for their unremitting efforts and dedication in the past year, and all shareholders for their continuous trust and full support. We will fully explore the market potentials of the private higher education industry in the PRC, further enhance school-enterprise cooperation, and vigorously facilitate industry-education integration as appropriate, so as to further expand the school network and the number of students of the Group. Meanwhile, we will continue to advance our existing management level, continue to provide our students with quality services and educational supporting services to improve their competitiveness in the employment market, and continue to fulfill our commitments to students, teachers, parents and shareholders.

Chairman
Liu Laixiang
Harbin City, Heilongjiang Province, PRC

FINANCIAL HIGHLIGHTS

FOUR-YEAR FINANCIAL SUMMARY

Results of Operation

	For the year ended 31 August			
	2017	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	107,697	117,494	138,212	**156,100**
Gross profit	55,332	65,793	79,205	**85,039**
Profit before tax from continuing operations	48,716	57,154	70,357	**43,836**
Profit for the year	47,156	56,279	70,211	**42,359**
Adjusted net profit for the year[1]	48,716	57,154	70,938	**70,704**

Assets and Liabilities

	As at 31 August			
	2017	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Current assets	181,700	164,894	191,974	**372,446**
Current liabilities	317,776	322,408	345,695	**265,643**
Net current assets/(liabilities)	(136,076)	(157,514)	(153,721)	**106,803**
Total non-current assets	1,085,141	1,168,258	1,395,493	**1,498,670**
Total equity	334,298	390,577	460,788	**800,567**

Note:

(1) The adjusted net profit, which is unaudited in nature, is presented because our management believes such non-IFRS measure provides useful information to investors in understanding and evaluating our results of operations in the same manner as it helps our management and in comparing financial results across accounting periods and to those of our peer companies.

FINANCIAL REVIEW

Revenue

The Group derives its revenue from the tuition fees and boarding fees that the Group collects from its students.

Revenue increased by RMB17.9 million or 12.9% from RMB138.2 million for the year ended 31 August 2019 to RMB156.1 million for the year ended 31 August 2020. The increase was mainly due to a combination of the following factors: (i) revenue from tuition fees has increased by RMB21.8 million or 17.1% from RMB127.9 million for the year ended 31 August 2019 to RMB149.7 million for the year ended 31 August 2020; and (ii) revenue from boarding fees has decreased by RMB3.9 million or 38.3% from RMB10.3 million for the year ended 31 August 2019 to RMB6.4 million for the year ended 31 August 2020, which was primarily related to the partial refund of boarding fees according to the direction of the Education Department of Heilongjiang Province as a result of the COVID-19 pandemic. The increase in tuition fees was mainly due to the expansion of size of admission and the increase in average tuition fees. The total number of undergraduate students enrolled (excluding students who subsequently withdrew during the respective school years) has increased from 8,233 for 2018/19 school year to 8,807 for 2019/20 school year with a growth rate of 7.0%. The average tuition fees for 2018/19 school year and 2019/20 school year was RMB15,492 and RMB16,920, respectively, with a growth rate of 9.2%.

Cost of Sales

Cost of sales primarily consists of salaries and benefits for our school personnel, depreciation and amortization, heating costs, training expenses, maintenance costs, teaching expenses and utilities, as well as property management cost, cleaning and greenery fees, travel expenses, office expenses, student activity costs and others.

Cost of sales increased by RMB12.1 million or 20.4% from RMB59.0 million for the year ended 31 August 2019 to RMB71.1 million for the year ended 31 August 2020. The increase was mainly due to: (i) staff costs increased by RMB6.0 million or 22.6% from RMB26.6 million for the year ended 31 August 2019 to RMB32.6 million for the year ended 31 August 2020, mainly resulted from the consolidated impact of the increase in salaries and benefits payable to the teachers of the Group as well as the increase in the number of teachers; (ii) depreciation and amortization has increased by RMB5.6 million or 33.3% from RMB16.8 million for the year ended 31 August 2019 to RMB22.4 million for the year ended 31 August 2020, mainly resulted from the increase in the buildings and boarding facilities put into use upon the completion of the first phase of Hanan Campus in September 2019.

A parcel of the Group's land was valued at RMB24 million as at 31 May 2020 as disclosed in the Prospectus. Had the Group's land been included in the financial statements at such valuation amount throughout the year ended 31 August 2020, an additional depreciation expense of RMB319,000 would have been recognised by the Group for the year ended 31 August 2020.

Gross Profits and Gross Profits Margin

Gross profits margin represents the percentage of gross profits to the revenue of the Group.

Gross profits increased by RMB5.8 million or 7.4% from RMB79.2 million for the year ended 31 August 2019 to RMB85.0 million for the year ended 31 August 2020, mainly resulted from the increase in income due to an increase in the number of students and average tuition fees, which outweighed the increase in related cost. Gross profits margin has decreased from 57.3% for the year ended 31 August 2019 to 54.5% for the year ended 31 August 2020. The increase in the student number led to a corresponding increase in teaching expenses and salaries of teaching staff. Meanwhile, certain parts of Hanan Campus previously under construction have been completed which resulted in the substantial increase of depreciation costs. The overall impact of the above factors led to the decrease in gross profits margin.

Other Income and Gains

Other income and gains consist primarily of bank interest income, rental income, and government grants.

With respect to other income and gains, the amount for the year ended 31 August 2020 (RMB1.2 million) remains steady as compared to the amount for the year ended 31 August 2019 (RMB1.2 million).

Selling Expenses

Selling expenses primarily consist of promotion expenses and admission expenses of different faculties and salaries of the personnel of our school's enrollment office. The increase in selling expenses from RMB0.8 million for the year ended 31 August 2019 to RMB1.0 million for the year ended 31 August 2020 corresponded to the business growth of the Group.

Administrative Expenses

Administrative expenses consist of professional services costs from listing expenses, administrative staff's salaries costs, depreciation and amortization, consultation fee, which mainly represents remuneration for auditors and attorney's fee, travel expenses incurred by our administrative staff for business trips and for running errands, heating costs, entertainment costs and others.

Listing expenses recognized for the year ended 31 August 2020 was RMB26.9 million, which increased by RMB26.3 million as compared to RMB0.6 million for the year ended 31 August 2019. Eliminating the impact of Listing expenses (being a non-recurring item), administrative expenses has increased by RMB1.6 million or 18.3% from RMB8.7 million for the year ended 31 August 2019 to RMB10.3 million for the year ended 31 August 2020, mainly due to (i) the increase in staff costs as a result of the combined effect of the increase in the number of administrative staff of the Group and the increase in salaries and benefits payable to them, and (ii) the increase in professional services costs, office expenses and miscellaneous expenses to support the business growth of the Group.

Finance Costs

Finance costs primarily consist of (i) interest on bank loans and other borrowings; and (ii) interest on sale and leaseback liabilities. Finance costs increased from nil for the year ended 31 August 2019 to RMB3.2 million for the year ended 31 August 2020. Our interest expenses increased by approximately RMB12.0 million from approximately RMB33.0 million for the year ended 31 August 2019 to approximately RMB45.0 million for the year ended 31 August 2020. For the year ended 31 August 2019, all the interest expenses on bank loans and other borrowings and sale and leaseback liabilities which were applied solely for the purpose of constructing our campus facilities have been fully capitalized and recognized as part of fixed assets. During the year ended 31 August 2020, among all interest expenses, an amount of RMB3.2 million related to the borrowing from Huatai Principal Investment Group Limited primarily for repaying other loans from certain other financial institutions was not capitalised, while interest expenses on other borrowings and sale and leaseback liabilities of approximately RMB41.8 million was fully capitalised.

Profit before Tax from Continuing Operations

During the year ended 31 August 2020, the Group recorded profit before tax from continuing operations of approximately RMB43.9 million, representing a decrease of approximately 37.7% as compared to approximately RMB70.4 million for the corresponding period of the last year.

Income Tax Expenses

During the year ended 31 August 2020, the Group did not record any taxation, which remains the same as the corresponding period of the last year. For details of the income tax applicable to our Group, please refer to note 10 of the notes to financial statements in this report.

Profit for the Year

Due to the combined impact of aforementioned revenue, costs and expenses, the Group recorded a profit of RMB42.4 million for the year ended 31 August 2020, representing a decrease of approximately 39.7% as compared to RMB70.2 million for the year ended 31 August 2019.

Adjusted Net Profit

To supplement our consolidated statements of profit or loss and other comprehensive income which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial indicator, which is used by our management to evaluate our operating performance. We also believe that such non-IFRS indicator provides useful information to investors in understanding and evaluating our results of operations in the same manner as it helps our management and in comparing financial results across accounting periods to those of our peer companies.

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

The Group's adjusted net profit decreased slightly by approximately 0.3% from approximately RMB70.9 million for the year ended 31 August 2019 to approximately RMB70.7 million for the year ended 31 August 2020. Details of the adjusted net profit of the Group for each of the year ended 31 August 2020 and 31 August 2019 are set forth below:

	2020	2019
	RMB'000	RMB'000
Profit for the year	**42,359**	70,211
Add:		
Listing expenses	**26,868**	581
Loss for the year from a discontinued operation	**1,477**	146
Adjusted net profit	**70,704**	70,938

Current Assets and Current Liabilities

As at 31 August 2020, we had net current assets of RMB106.8 million compared to net current liabilities of RMB153.7 million as at 31 August 2019. The increase in net current assets was primarily due to the increase of cash which represented the net proceeds from the initial public offering of the Company.

Liquidity and Capital Resources

Our primary uses of cash are to fund our Group's working capital requirements, purchase of property, plant and equipment and repayment of bank and other borrowings and related interest expenses. During the reporting period, we funded our operations principally with cash generated from our operations and bank and other borrowings. In the future, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank and other borrowings and the net proceeds from the initial public offering of the Company, and based on our Group's actual needs and the prevailing market conditions, other funds raised from the capital markets from time to time.

Property, Plant and Equipment

As at 31 August 2020, the Group's property, plant and equipment amounted to approximately RMB1,451.4 million, representing a year-on-year increase of approximately 7.4% from approximately RMB1,351.5 million recorded as at 31 August 2019. The increase was due to the increase of construction in progress of Hanan Campus and the increase of electronic equipment for daily operation in connection with the use of Hanan Campus.

Cash and Cash Equivalents

As at 31 August 2020, the Group's cash and cash equivalents was approximately RMB337.6 million, representing a year-on-year increase of approximately 141.2% from approximately RMB140.0 million as at 31 August 2019. The increase was mainly attributable to the increase in cash from financing activities including initial public offering and sale and leaseback liabilities and the increase in cash flow from ordinary operating activities.

Bank and Other Borrowings

Our bank and other borrowings primarily consisted of short-term working capital loans and long-term project loans for the construction of the school premises. As disclosed in the Prospectus, during the year ended 31 August 2020, we entered into a facility agreement with Huatai Principal Investment Group Limited and made the first drawdown of US$12.0 million under the facility. The borrowing was primarily used to repay certain loans in order to release the guarantees and charge provided by our Controlling Shareholders or their affiliated companies in connection with such loans before Listing.

We primarily obtain loans from banks and financial institutions to supplement our working capital and finance our capital expenditure. As at 31 August 2020, our bank and other borrowings and interest accruals amounted to RMB820.8 million, of which approximately RMB7.5 million (equivalent to US$1.1 million) were dominated in U.S. dollar, and the others were denominated in Renminbi. As at 31 August 2020, our bank and other borrowings borne effective interest rates ranging from 4.00% to 14.09% per annum.

Capital Expenditures

Capital expenditures during the reporting period were primarily related to the construction of the school premises of Hanan Campus, maintaining and upgrading existing school premises and purchasing additional educational facilities and equipment for our school. For the year ended 31 August 2020, the Group's capital expenditures were RMB128.3 million (2019: RMB238.1 million).

Contractual Commitments

Our capital commitments were primarily related to the acquisition of property, plant and equipment. The following table sets forth our capital commitments as at the dates indicated:

	As at 31 August	
	2020	2019
	RMB'000	RMB'000
Contracted, but not provided for: Property, plant, and equipment	**7,971**	29,027

Contingent Liabilities

The table below sets forth the Group's contingent liabilities as at 31 August 2020 and 31 August 2019, respectively.

	2020	2019
	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	–	16,406

Gearing Ratio

Gearing ratio equals total debt as at the end of the year divided by total equity as at the end of the year. Total debt includes all interest-bearing bank loans and other borrowings.

Compared with the gearing ratio as at 31 August 2019, the gearing ratio as at 31 August 2020 decreased from 1.6 to 1.0, which was mainly due to an increase of our equity arising from the issuance of shares in the initial public offering of our Company.

FOREIGN EXCHANGE RISK MANAGEMENT

The functional currency of the Company is RMB. The majority of the Group's revenue and expenditures are denominated in RMB. During the year ended 31 August 2020, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The Directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt practical and effective measures to prevent exposure to exchange rate risk. The Group did not enter into any financial instrument for hedging purpose.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS, FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

There were no significant investments held as at 31 August 2020, nor other material acquisitions and disposals of subsidiaries and associated companies. Save as disclosed in this report, as at 31 August 2020, the Group did not have any immediate plans for material investments and capital assets.

PLEDGE OF ASSETS

As at 31 August 2020, the Group's sale and leaseback borrowings of approximately RMB231.2 million (2019: RMB72.8 million) were guaranteed by the Group's total fixed assets of approximately RMB168.5 million (2019: RMB19.9 million).

BUSINESS REVIEW

During the year ended 31 August 2020, our Group operated one school, namely, Heilongjiang College of Business and Technology in Harbin City, Heilongjiang Province. Heilongjiang College of Business and Technology comprises two campuses, namely Songbei Campus and Hanan Campus.

As at 31 August 2020, our school occupied an aggregated gross site area of 542,009.04 sq.m and gross floor area (GFA) of 310,480 sq.m, with a total property, plant and equipment value of RMB1,451.4 million.

As at 31 August 2020, our school had 465 teachers and 6,739 full-time students (excluding the number of final year students who have graduated) enrolled in bachelor's degree programs. As at 30 October 2020, we had 577 teachers and 9,572 full-time students enrolled. The table below sets out the statistics of students enrollment in the past three school years (excluding students who subsequently withdrew during the respective school years):

School Years	Number of students
2017/2018	7,800
2018/2019	8,233
2019/2020	8,807

Our school offered 26 undergraduate majors in 2020/21 school year, including 10 majors in engineering, 5 majors in management, 3 majors in economics, 3 majors in literature, and 5 majors in art, while majors offered in 2019/20 school year were 24. The majors newly offered this year are transportation and vehicle engineering. The registration of newly enrolled students in 2020/21 school year was 2,851. The table below sets out the registration of newly enrolled students in the past three school years:

School Years	Newly enrolled students
2017/2018	2,082
2018/2019	2,150
2019/2020	2,563

This year, our school attached great importance to employment and implemented the "top leader (一把手)" project for graduate employment through advanced planning, matching assistance, and precise strategy implementation, forming a top-down work system for all graduates to promote employment. As at 31 August 2020, Heilongjiang College of Business and Technology reported that the initial employment rate was 78.76%, ranking 2nd among private colleges in Heilongjiang Province. In early March this year, the school shared its experience at the video conference on employment scheduling for college graduates during the period of epidemic prevention and control in the province; in mid-June, Heilongjiang Provincial Government Information Office held the first of a series of press conferences on the theme of "Thorough Implementation of 'Six Stability' and 'Six Guarantees' in Heilongjiang". Our school and Heilongjiang University attended the press conference on behalf of 81 colleges and universities in Heilongjiang province and shared experience. Since 2020, authoritative media such as Xuexi.cn (學習強國), people.cn (人民網), National University Ideological & Political Work Net, ifeng.com (鳳凰網), China Weekly, and www.dbw.cn (東北網) have repeatedly reported on the employment and entrepreneurship performance of our school.

Our school integrated "double innovation" education into employment, and employment opportunities for more than 30 people were provided by start-up companies run by our 2020 graduates. There are other successful stories of our graduates in turning into entrepreneurs, for example, Yin Jiaqiang, a graduate of civil engineering, established a company during his school time in 2019. The company was mainly engaged in photovoltaic power generation and smart electricity monitoring systems for security equipment. Its project is listed as one of the "Top 100" projects in Jixi City and has received an investment of RMB10 million.

Over the past year, our Group promoted the integration of production, education and research by focusing on industries with potential, serving the local area, and with the industry-oriented college as the carrier. By taking full advantage of the mechanism of "building a railway academy through cooperation of education and rail transit system", the school launched two new undergraduate majors in vehicle engineering and transportation, filling the gap in the training of undergraduate talents in the field of railway transportation in Heilongjiang Province. The school built the first "Phoenix Digital Media Creative Academy* (鳳凰數媒創意學院)" in China in cooperation with Phoenix Digital Media Industry Education Group* (鳳凰數媒產教集團), to further provide educational services in the cultivation of digital media application-oriented talents, and provide comprehensive assurance for students' employment. Our school co-established the "New Business Industry College* (新商科產業學院)" with Heilongjiang Russia Express Technology Business Incubator Co., Ltd.* (黑龍江俄速通科技企業孵化器有限責任公司), for cultivating business application-oriented talents, and conducting in-depth cooperation in professional clusters construction, talent training programs, "dual-qualified" teachers team building, professional and innovative education, and the construction of cross-professional virtual simulation training room. Our Group has decided to gradually offer talent training services from 2020 and has entered into agreements with Highfly Development Group (Jiangsu) Co., Ltd.* (華飛航空發展集團(江蘇)有限公司) ("Highfly"), including "Strategic Cooperation Framework Agreement between Heilongjiang College of Business and Technology and Highfly (黑龍江工商學院與華飛戰略合作框架協議書)" and "Entrustment Agreement for Targeted Training of Professionals in Aviation Technology and Services (委託定向培養航空技術和服務專業人才協議書)".

In addition, in campus culture development, our school focused on "reading, writing, speaking and application" to create a "four-dimension integrated" cultural education pattern. The project was successfully selected as "Excellent Project of Ideological and Political Work in Colleges and Tertiary Institutions* (高校思想政治工作精品項目)", the only cultural education project selected among other cultural education projects of private colleges in Heilongjiang province, which has further strengthened the school's reputation.

IMPACT OF COVID-19 PANDEMIC

There has been an outbreak of the coronavirus disease 2019 ("COVID-19") that was first reported in December 2019. The outbreak has endangered the health of many citizens in China and significantly disrupted travel and the local economy across the country. The development of such epidemic is beyond our control.

Notwithstanding the above, due to the following factors, the outbreak of COVID-19 has no significant impact on our revenue and financial condition for the year ended 31 August 2020. First of all, we have collected tuition fees and boarding fees in advance at the beginning of the school year 2019/2020 in September 2019. Second, we did not refund tuition fees as we had been rendering education service online. However, we are required to refund a portion of the boarding fees collected for the 2019/2020 school year in accordance with the Notice on the Management of the School Fees During the Period of COVID-19 Prevention and Control (《黑龍江省教育廳關於做好疫情防控期間學校收費管理工作的通知》) issued by the Education Department of Heilongjiang Province in April 2020, which stipulates that the boarding fees that were already collected from the students for the 2019/2020 school year shall be reassessed and refunded by the schools before the end of the spring semester of such school year based on the students' actual length of stay in the schools, the cost and expenses incurred for the staff related to student accommodation and the depreciation of assets, among other factors. Accordingly, we have refunded the boarding fees to students of approximately RMB6.13 million, which is relatively insignificant compared to the revenue we derived from our operations during the same school year. The actual amount of boarding fees refunded was higher than the estimated amount (RMB5.0 million) disclosed in the Prospectus as we decided not to deduct the relevant cost and expenses (which is allowed by the government policy stated above) in making the refund in late August 2020 to give further financial relief to our students and their parents in this challenging time.

As disclosed in the Prospectus, in order to prepare our school for the return of students in the fall semester of the 2020/2021 school year and expand our online teaching capability and resources, we entered into a service agreement with Beijing Muhua Information Technology Co., Ltd.* (北京慕華信息科技有限公司) (a prominent online education platform service provider in the PRC that is ultimately controlled by Tsinghua University), pursuant to which our school will use the professional version of an intelligent teaching solution, "Yu Ke Tang (雨課堂)" developed by the online education office of Tsinghua University, for a term of three years commencing from August 2020. Yu Ke Tang is an innovative solution that combines the features of a large number of open online courses, social media platform, and live streaming lecture functions, which allow teachers to conduct lectures online in real time and simultaneously interact with students, provide students with all-time access to in-class materials, and offer an extensive selection of open courses from multiple educational resources. Beijing Muhua Information Technology Co., Ltd. has also become one of our major partners. In the fall semester of 2020/2021 school year, our school has introduced a total of 10 courses online and our teachers have used intelligent teaching tools available at Yu Ke Tang to stimulate the atmosphere of classrooms, and achieve a student-centered teaching model while it also promotes the reform of educational informatisation at our school.

In addition, we have adopted the following measures to compensate for the inadequate exposure of our school due to the lack of on-site promotion events, which included (i) launching an intelligent question-and-answer system, which provides 24-hour consultation service to prospective students and their parents; (ii) strengthening our marketing via different online channels, such as the online platform of China Higher Education Student Information Website, college information guides published by the education examination authority of each province and new media outlets; (iii) actively participating in influential online student admission consultation events and communicating with prospective students in a live setting; and (iv) encouraging existing students, teachers and alumni to help with the publicity and promotion of our school. Due to the success of the above measures, COVID-19 essentially has no impact on our student recruitment for the 2020/2021 school year. In 2020/2021 school year, the registration of newly enrolled students was 2,851, increased 267 from 2,584 in 2019. In addition, other than the first-year students, all students of other years have returned to campus and resumed face-to-face classes in September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

In light of the expected recovery of the economies of the PRC and Heilongjiang Province and measures to mitigate the adverse effects of the COVID-19 outbreak, together with the solutions that we have taken and our experience in response to the outbreak, we believe that our student enrollment and daily operations will not be negatively affected.

PROSPECT

The Company will actively promote the construction of Daqing Transportation Vocational and Technical College* (大慶交通職業技術學院) to increase market penetration. The Company will further move forward the construction of Hanan Campus, improve the overall school operating environment, and expand the space of our campus, so as to further increase the number of students capacity, optimize pricing strategies and improve profitability. For further details, please refer to "Business – Our Business Strategies – Expand our business operations to achieve economies of scale" section of the Prospectus.

The Company will actively extend contact with Cuaa.Net (艾瑞深校友會網), and conduct in-depth research on the Comprehensive Comparative Analysis and Disciplinary-level Dynamic Monitoring Public Welfare Consulting Project of Airuishen (艾瑞深) in China. Specially-assigned personnel will implement the relevant evaluation to improve our school's "Airuishen" ranking, so as to enhance our school's core competitiveness and influence in the nation.

The Company will continue to implement a full-school accountability system, accelerate information construction, and enhance employment information services, while optimizing the development of courses related to employment and entrepreneurship with an aim to cultivating "dual-innovation" capability of students. We will further innovate and carry out industry-university-research cooperation, promote the integration of industry and education, and coordinate education. We will develop employment bases with enterprises to offer internship and practical training opportunities and leverage on the advantages of such platforms to improve students' practical skills, enhance the overall quality and competitiveness of students and promote quality employment for our graduates, which will lead to popularity in recruitment of new students.

In close connection with the transportation professional clusters, the school will accelerate the development of the School of Railway, refine the development of specialisation in railways, high-speed rail, light rail, urban rail, and civil aviation services, to improve the concentration and recognition of advantageous industries in the province.

The Company will continue to explore deeply into the education market in Heilongjiang Province and actively cooperate with Heilongjiang New Media Group* (黑龍江新媒體集團), a leading cultural industry group in Heilongjiang, to form a positive and all-round multi-level interaction in media authority endorsement, talent output, project training, and cultural industry project promotion.

Our Group will actively promote Heilongjiang College of Business and Technology through the platform of Xuexi.cn (學習強國), one of the most authoritative and mainstream channels in the PRC, which provide synergy of media promotion and communication, to gain more publicity and increase its presence, so as to create a new network communication matrix and help promote our Group's brand.

Latest Regulatory Development

On 20 April 2018, the MOE issued the Implementing Regulations for the Law for Promoting Private Education of the PRC (the Draft Revision) (the Consultation Version) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(徵求意見稿)》) (the "MOE Draft for Comments") to solicit public views. On 10 August 2018, the Ministry of Justice of the PRC announced the Implementing Regulations for the Law for Promoting Private Education of the PRC (Revised Draft) (Draft for Review) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿)》) (the "MOJ Draft for Comments") for consultation on the basis of the aforesaid MOE Draft for Comments. For more details, please refer to the section headed "Business – Potential Implications of the 2016 Decision and Related Implementation Rules – The MOJ Draft for Comments" in the Prospectus. As at the date of this report, the MOJ Draft for Comments has yet to be promulgated or enacted in the PRC, the Company will continue to monitor developments of the MOJ Draft for Comments and related laws and regulations.

On 17 August 2020, the MOE and other four departments jointly promulgated the Opinions on Further Strengthening and Regulating the Administration of Education Fees (《關於進一步加強和規範教育收費管理的意見》) (the "Education Fees Opinions"), which reiterated the previous provision that the fee level of for-profit private schools is open for market adjustment and can be determined by for-profit private schools at their own discretion, while the fee-collection regulatory policies for non-profit private schools shall be formulated by provincial governments. The Education Fees Opinions further clarified that private schools established prior to 7 November 2016 shall be regulated in the same way as non-profit private schools in terms of fee-collection policies before they have completed the classification registration procedures. Since the Education Fees Opinions and other previous regulations have designated provincial governments to formulate local regulatory policies regarding non-profit private schools fee collection and Heilongjiang Province has promulgated local rules to abolish the requirements for approval for private higher education tuitions and boarding fees, regardless of the school's for-profit or non-profit status, the Board believes that the Education Fees Opinions do not have any material impact on Heilongjiang College of Business and Technology's fee-collection policies and Heilongjiang College of Business and Technology would remain able to determine its fee level on its own.

As at the date of this report, the Group's operations have not been negatively affected by the above laws, decision, implementing regulations and rules and administration measures. Based on the current conditions and Company's preliminary assessment, the Board is of the view that above laws, decision, implementing regulations and rules and administration measures do not have an immediate material adverse impact on the Group's business operations, business plans and financial conditions.

The Company will continue to monitor developments of the above laws, decision, implementing regulations and rules, administration measures and related laws and regulations, and will make further announcements in respect thereof in accordance with the Listing Rules as and when appropriate.

PRC Laws and Regulations Relating to Foreign Ownership in the Education Industry

Higher education

According to the Negative List, higher education is restricted for foreign investors, and foreign investors are only allowed to invest in higher education through cooperation with a domestic party who shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national; and (b) the representatives of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the "Foreign Control Restriction"). As confirmed by our PRC Legal Advisors, we had fully complied with the Foreign Control Restriction in respect of Heilongjiang College of Business and Technology on the basis that (a) its principal is a PRC national; and (b) all the members of its board of directors are PRC nationals.

Sino-Foreign Cooperation

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Implementing Rules for the Sino-Foreign Regulation (《中華人民共和國中外合作辦學條例實施辦法》), if we were to apply for Heilongjiang College of Business and Technology to be reorganized as a Sino-foreign joint venture private school for PRC students at higher education institutions (a "Sino-Foreign Joint Venture Private School"), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and that provides high quality education (the "Qualification Requirement"). Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education, the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50%. Our PRC legal advisor has advised that there are no implementing measures or specific guidance on the Qualification Requirement in accordance with the existing PRC laws and regulations but only general principles requiring school sponsor which applies for establishing a Sino-Foreign Joint Venture Private School shall have relevant qualification and be able to provide high quality education services.

Updates to the Plan to Comply with the Qualification Requirement

As disclosed in the Prospectus, we have adopted a specific plan and have taken concrete steps which we believe are meaningful endeavors to demonstrate compliance with the Qualification Requirement. On 15 October 2019, Leader Education LLC was established in Chicago, Illinois and is an indirect wholly-owned subsidiary of the Company. Leader Education LLC plans to operate and manage a higher education institution (the "US School") in the State of Illinois, US to be established, which is planned to provide programs focusing on business studies. On 21 February 2020, we filed a notice of intent for operating authority to the Illinois Board of Higher Education (IBHE). On 22 May 2020, we entered into a services agreement with an Independent Third Party, with an aim to design the education program to be offered by the US School and submit applications with the IBHE regarding the establishment of the US School. Subject to development of the COVID-19 situation in the US, it is expected that formal operating authority application will be filed to IBHE within the one-year validity period of the notice of intent filed.

GLOBAL OFFERING AND USE OF PROCEEDS FROM GLOBAL OFFERING

On the Listing Date, 166,667,000 new Shares with nominal value of US$0.01 each of the Company (aggregate nominal value: US$1,666,670) were issued at a price of HK$2.10 per Share in connection with the Company's initial public offering. On 26 August 2020, the Over-allotment Option (as defined in the Prospectus) was partially exercised pursuant to which an aggregate of 9,000,000 Shares (the "Over-allotment Shares") held by Junhua Education Limited were sold to the Sole Global Coordinator (as defined in the Prospectus) at the price of HK$2.10 per Share. The Company did not receive any of the net proceeds from the sale of the Over-allotment Shares by Junhua Education Limited.

Net proceeds from the initial public offering of the Company amounted to approximately HK$333.2 million, after deducting underwriting fee and relevant expenses. Such amounts were used and are expected to be continued to be applied in the manner set out in the Prospectus. The unutilized net proceeds were deposited at interest bearing bank accounts held by the Company.

As at 31 August 2020, the utilisation of the net proceeds is as follows:

	Percentage of total net proceeds	Net proceeds HK$ million	Utilised up to 31 August 2020 HK$ million	Unutilised up to 31 August 2020 HK$ million	Expected timeline for full utilisation of the relevant proceeds
Expand Hanan Campus in connection with the construction of the second phrase	40%	133.2	–	133.2	31 December 2023
Repay principals and interests of borrowings from financial institutions	30%	100.0	84.9	15.1	31 December 2020
Acquire other schools to expand the Group's school network	20%	66.6	–	66.6	31 December 2022*
Fund the Group's working capital and general corporate purposes	10%	33.4	0.4	33.0	31 December 2021
Total		333.2	85.3	247.9	

Note: The above figures are subject to rounding.

* For illustration purpose only. As at 31 August 2020 and the date of this report, we have not identified any acquisition target. The net proceeds for acquisition of other schools will be applied after the Group has identified and entered into legally binding agreement to acquire the same.

EMPLOYEES AND REMUNERATION POLICY

As at 31 August 2020, the Group had 536 full-time employees and 281 part-time employees (as at 31 August 2019: 468 full-time employees and 217 part-time employees). The Company believes that attracting, recruiting and retaining high-quality employees is essential to the success and sustainability of the Group. The remuneration policy and package of the Group's employees are periodically reviewed in accordance with industry practice and financial results of the Group. The Group provides external and internal training programs to its employees. The Group participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. The total remuneration cost (including directors' fee) incurred by the Group for the year ended 31 August 2020 was RMB36.2 million (as at 31 August 2019: RMB30.2 million).

SUBSEQUENT EVENTS

As at the date of this report, there was no significant event subsequent to 31 August 2020.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

As of the date of this report, the Company has four executive Directors and three independent non-executive Directors. Their biographical details are set out below.

EXECUTIVE DIRECTORS

Mr. Liu Laixiang (劉來祥), aged 55, the founder of our Group and the principal of Heilongjiang College of Business and Technology (since May 2017), was appointed as the chief executive officer, the chairman of the Board and an executive Director of our Company in February 2020 and in charge of the overall management and strategic development of our Group. Mr. Liu is the spouse of Ms. Dong Ling, our executive Director.

Mr. Liu has approximately 15 years of experience in education. Mr. Liu acted as a chairman of Limin Campus of Heilongjiang College of Science and Technology* (黑龍江科技學院利民校區) from March 2006 to May 2011. He then acted as a chairman and director of Chengdong College of Northeast Agricultural University* (東北農業大學成棟學院) (the predecessor of Heilongjiang College of Business and Technology) ("Chengdong College") from June 2011 to March 2015. After that, he acts as a chairman and an executive director of Harbin Xiangge, the school sponsor of Heilongjiang College of Business and Technology, from February 2007 until present. He is responsible for the overall work of the board of directors and major decision making. From April 2015 to present, he acts as the principal, Chairman of the board of directors of Heilongjiang College of Business and Technology. He is in charge of strategic planning, overall management of the college on administrative matters, human resources, teaching and research activities and major decision making.

Mr. Liu obtained the qualification as a senior economist issued by Heilongjiang Human Resources and Social Security Bureau (黑龍江省人力資源和社會保障廳) in September 2018. He obtained a bachelor's degree in Science and a master's degree in Science from Harbin Normal University (哈爾濱師範大學) in July 1988 and June 1991 respectively. He obtained a doctorate degree in Economics from Renmin University of China (中國人民大學) in June 2007.

Mr. Liu did not hold any directorship in any other listed companies during the last three years.

Ms. Dong Ling (董玲) (formerly known as Dong Qingxin (董慶新)), aged 51, joined our Group in February 2007 and was appointed as an executive Director of our Company in February 2020, responsible for business management, participating in major decision making and providing opinion to our Board. Ms. Dong is the spouse of Mr. Liu, our executive Director.

Ms. Dong has nearly 23 years of experience in education, which included being a teacher in Heilongjiang Province Foreign Trade College (黑龍江省對外貿易學校) from March 1997 to July 2001 and a director, a lecturer and the head of International Corporation and Exchange Division of Heilongjiang College of Business and Technology from April 2015 to present. She is in charge of strategic planning and overall management of matters related to international cooperation and exchange of the college.

In addition, Ms. Dong acts as a deputy general manager of Diaqing Xiangge Property Development Limited* (大慶市祥閣房地產開發有限公司) from August 2001 until present. She is also a deputy general manager of Harbin Xiangge from February 2007 until present. Furthermore, she acts as a general manager of Liankang Consulting since August 2019 and the executive director of Junhua Consulting since July 2020.

Ms. Dong obtained a bachelor's degree in Arts from Harbin Normal University (哈爾濱師範大學) in July 1991. She obtained the qualification of lecturer (講師) issued by Heilongjiang Human Resources and Social Security Bureau (黑龍江省人力資源和社會保障廳) (previously Heilongjiang Human Resources Bureau 黑龍江省人事廳) in September 2000.

Ms. Dong did not hold any directorship in any other listed companies during the last three years.

Mr. Wang Yunfu (王雲福), aged 50, joined our Group in January 2013 and was appointed as an executive Director of our Company in February 2020, responsible for overall management of financial and accounting affairs of our Group.

Mr. Wang acts as a chief financial officer and deputy general manager of Harbin Xiangge since January 2013. Also, he serves as the chief accountant of Heilongjiang College of Business and Technology since March 2016. Prior to joining our Group, Mr. Wang served as the financial controller of Heilongjiang Jia Feng Green Food Ltd.* 黑龍江嘉峰綠色食品有限公司), a company primarily engaged in the development and manufacturing of food products from 2001 to 2010 and the finance manager of Hanfeng Controlled Release Fertilizer (Heilongjiang) Co., Ltd.* (漢楓緩釋肥料(黑龍江)有限公司), a company primarily engaged in the manufacturing and sales of different types of fertilizer from 2011 to 2012.

Mr. Wang obtained a bachelor's degree in Finance and Accounting from Harbin Economic Management Cadres College (哈爾濱經濟管理幹部學院) in January 2001. He passed the national examination in Accounting (intermediate level) administered by the Ministry of Finance of the PRC in May 2002. He has been a certified public accountant accredited by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since June 2010.

Mr. Wang did not hold any directorship in any other listed companies during the last three years.

Mr. Che Wenge (車文閣), aged 54, joined our Group in February 2007 and was appointed as an executive Director of our Company in February 2020, responsible for overseeing and management of campus development and labour affairs of our Group.

Mr. Che has approximately 14 years of experience in education. Mr. Che acted as the deputy chairman of the board of Limin Campus from May 2006 to July 2012. He then acted as the deputy chairman of the board of Chengdong College from July 2012 to July 2015. He was responsible for overseeing matters related to the construction of campus. In addition, he acts as then General Manager of Harbin Xiangge since February 2007. In addition, he acts as the deputy head of the board of directors and president of the labor union of our school. He is in charge of the development and management related to the new Hanan campus of our school and overseeing administrative matters in labor union and relationship with labor. Prior to joining our Group, Mr. Che had extensive work experience in the governmental bodies in the PRC.

Mr. Che obtained a bachelor's degree in Business Administration from Heilongjiang Business College (黑龍江商學院) (now known as Harbin University of Commerce (哈爾濱商業大學)) in 1988.

Mr. Che did not hold any directorship in any other listed companies during the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Zhang Su (張甦), aged 45, was appointed as an independent non-executive Director of our Company in July 2020, responsible for providing independent opinion and judgement to our Board.

Mr. Zhang was a postdoctoral researcher of Peking University from July 2005 to May 2007. He was responsible for conducting research related to integrated circuit industry. Then, he serves as a professor in the Central University of Finance and Economics (中央財經大學), responsible for teaching and conducting academic research in the fields of microeconomics and macroeconomics, since May 2007.

Mr. Zhang graduated from Hunan Higher College of Finance and Economics* (湖南財經高等專科學校) (now known as Hunan University of Finance and Economics (湖南財政經濟學院) with specialization in Marketing in June 1997. He obtained a master's degree in Industrial Economics (產業經濟學) from Hunan Normal University (湖南師範大學) in June 2002 and a doctorate degree in Economics (Political Economics) from Renmin University of China (中國人民大學) in June 2005.

Mr. Zhang did not hold any directorship in any other listed companies during the last three years.

Mr. Cao Shaoshan (曹少山), aged 49, was appointed as an independent non-executive Director of our Company in July 2020, responsible for providing independent opinion and judgement to our Board. Mr. Cao has extensive experience in the field of corporate finance and investment management.

He served as the vice president of Credit Suisse Hong Kong Limited from August 2000 to March 2004 and the vice president of Citigroup Global Markets Hong Kong from April 2004 to May 2006. In addition, he acted as an executive director and co-head of M&A division and head of real-estate finance division of China International Capital Corporation Hong Kong Limited from June 2006 to May 2009. He is the chairman of Orizon Capital Group Limited (河山國際資本集團有限公司) since June 2009. Also, he acts as the general manager of Beidou Guoxin Fung Management (Beijing) Limited (北斗國信基金管理(北京)有限公司) since December 2015 and the general manager of Beidou Guoxin Fung Management (Zhuhai Hengqin) Limited (北斗國信基金管理(珠海橫琴)有限公司) since December 2016.

Mr. Cao obtained a Bachelor's Degree of Arts majoring in English Language from the Beijing Foreign Studies College (北京外國語學院) (now Beijing Foreign Studies University (北京外國語大學) in July 1993 and a Master's Degree in Business Administration (MBA) from the University of Virginia Darden Business School in May 2000. He has been admitted as a diploma holder of the Association of Chartered Certified Accountants since May 1997.

Mr. Cao did not hold any directorship in any other listed companies during the last three years.

Mr. Chan Ngai Fan (陳毅奮), aged 40, was appointed as an independent non-executive Director of our Company in July 2020, responsible for providing independent opinion and judgement to our Board.

Mr. Chan has approximately 13 years of experience in auditing, accounting and financial management. In the early stage of his career, Mr. Chan worked successively in JBPB & Company (formerly known as Grant Thornton and later merged with BDO Limited), with his last position as an assistant manager in assurance from August 2007 to February 2011. From March 2011 to April 2015, he served as the chief financial officer of a PRC-based mining company.

Mr. Chan acted as the financial controller of KPa-BM Holdings Limited (應力控股有限公司) (stock code: 2663) from May 2015 to April 2018. He acted as an independent non-executive director of Sino Vision Worldwide Holdings Limited (新維國際控股有限公司) (formerly DX.com Holdings Limited or DX.com 控股有限公司) (stock code: 8086) from August 2017 to September 2018. In addition, he acted as a non-executive director of Shenzhen Mingwah Aohan High Technology Corporation Limited (深圳市明華澳漢科技股份有限公司) (stock code: 8301) from September 2016 to April 2018 and from January 2019 to March 2019. He also acted as an executive director and the chief financial officer of Shenzhen Mingwah Aohan High Technology Corporation Limited (深圳市明華澳漢科技股份有限公司) (stock code: 8301) from April 2018 to January 2019. Afterwards, he acted as the company secretary of Sino Vision Worldwide Holdings Limited (新維國際控股有限公司) (formerly DX.com Holdings Limited or DX.com 控股有限公司) (stock code: 8086) from January 2019 to May 2019. He also acted as the joint company secretary of Centenary United Holdings Limited (世紀聯合控股有限公司) (stock code: 1959) since January 2019 for handling compliance related matters.

Mr. Chan obtained a bachelor's degree in Arts in Accountancy and a master's degree in Corporate Governance from the Hong Kong Polytechnic University in December 2007 and October 2013, respectively. He is a member of the Hong Kong Institute of Certified Public Accountants (Practising), and an associate member of the Hong Kong Institute of Chartered Secretaries since February 2011 and November 2019, respectively.

Save as disclosed above, Mr. Chan did not hold any directorship in any other listed companies during the last three years.

SENIOR MANAGEMENT

Mr. Zhao Jinbo (趙金波), aged 51, joined our Group in September 2015 and was appointed as the General Manager of our Company in February 2020 and the Vice-principal of Heilongjiang College of Business and Technology in August 2016. He is primarily responsible for overseeing and strategic planning of information system development of our Group.

Mr. Zhao has substantive work experience in software engineering (including serving in Northern Caijing Group Ltd.* (北方彩晶集團有限公司) and its subsidiary Jilin Northern Caijing Display Ltd.* (吉林北方彩晶顯示有限公司) between June 2002 and October 2005). He served as a teacher of Changchun Optics Precision Machinery College* (長春光學精密機械學院) (the predecessor of Changchun University of Science and Technology) from November 1993 to May 2002. In addition, he acted as the General Manager and Deputy General Manager of Heilongjiang Huizhijinhe Software Engineering Limited* (黑龍江匯智金合軟件工程股份有限公司) (formerly Heilongjiang Heidatongqing Software Engineering Limited* (黑龍江黑大同慶軟件工程股份有限公司)). From March 2009 to September 2015, he acted as the Deputy General Manager, chief engineering and Head of Department of Changchun Jida Scola Co., Ltd* (長春吉大博碩科技有限責任公司).

Mr. Zhao obtained the qualification as a senior information system project manager (信息系統項目管理師) from Jilin Province Personnel Examination Center (吉林省人事考試中心) in May 2014. He obtained a bachelor's degree in Statistics from Nankai University (南開大學) in July 1991.

Mr. Zhao did not hold any directorship in any listed companies during the last three years.

Mr. Li Guorun (李國潤), aged 38, joined Chengdong College, our predecessor, in June 2006, and has continued to be a staff member of our Group since then.

In Chengdong College, he served as a teaching secretary from June 2006 to July 2008. He was responsible for providing support to teaching and administrative function. He then acted as the deputy section chief of college office in which he was in charge of managing international exchange affairs of the college. From July 2011 to May 2015, he served as a teacher in Foreign Language Department. In Heilongjiang College of Business and Technology, he continued his role as an English teacher in the Foreign Language Department from May 2015 to June 2016. He then acted as the Deputy Head of Foreign Language Department from June 2016 to April 2017. Since April 2017, he is the Office Director of our school, managing teaching related matters.

Mr. Li obtained a bachelor's degree of Arts majoring in English Language from Northeast Agricultural University (東北農業大學) in July 2006 and a master's degree in English Translation (Oral) in June 2016 from Heilongjiang University (黑龍江大學). He also obtained the qualification as higher education teacher (English) in July 2014 issued by the Ministry of Education of Heilongjiang Province and the qualification as associate professor (foreign language) issued by the Heilongjiang Talents Service Bureau* (黑龍江人才服務局) in September 2016.

Mr. Li did not hold any directorship in any listed companies during the last three years.

COMPANY SECRETARY

Mr. Chang Eric Jackson (張世澤) (formerly known as Chang Eric Jackson (張再祖)), aged 40, was appointed as the company secretary of our Company in February 2020. Mr. Chang has over 17 years of experience in accounting, finance and business advisory work. Mr. Chang is currently the chief financial officer and the company secretary of Sanxun Holdings Group Limited, a real estate developer in the PRC focusing on the development and sales of residential properties in Anhui Province (through its subsidiaries). He was an independent non-executive director of Centenary United Holdings Limited (stock code: 1959.HK) from September 2019 to May 2020. He has also been an independent non-executive director of DL Holdings Group Limited (formerly known as Season Pacific Holdings Limited) (stock code: 1709.HK) and Transmit Entertainment Limited (formerly known as Pegasus Entertainment Holdings Limited) (stock code: 1326.HK) since May 2018 and December 2017, respectively. Prior to the above roles, Mr. Chang also worked successively as an associate and a senior manager in PricewaterhouseCoopers Ltd. from September 2002 to September 2013.

Mr. Chang obtained a bachelor of commerce degree from University of British Columbia in May 2002. Mr. Chang has been a member of Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants since September 2005 and January 2005, respectively.

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 August 2020.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on 17 June 2019 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company listed its Shares on the Main Board of the Stock Exchange on 6 August 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Company and its subsidiaries (the "Group") are principally engaged in providing private higher education services in the People's Republic of China (the "PRC"). Particulars of the subsidiaries are set out in note 1 to the notes to financial statements.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal challenges and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" in this annual report. The review and discussion form part of this directors' report.

ENVIRONMENTAL POLICIES AND SOCIAL RESPONSIBILITIES

As an education service provider, the Group's daily operations generally do not have any material impact on the environment. However, the Group is highly aware of the importance of environment protection. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste.

Ensuring the well-being of our students is a top priority of the Group. The Group continues to maintain effective communication with our students and is dedicated to establishing a healthy and safe campus. We also strive to maintain a good relationship with our suppliers and other relevant stakeholders to ensure the operations of the Group will be sustainable.

REPORT OF THE DIRECTORS

As far as the Board and the management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 August 2020, there was no material breach of or non-compliance with applicable laws and regulations by the Group.

The environment, social and governance report will be issued within three months after the publication of this annual report in accordance with Appendix 27 of the Listing Rules.

DONATIONS

During the Reporting Period, the Group did not make any charitable and other donations.

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

The Group is subject to different risks in the operations of its business and the Group strives to ensure effective risk management system is in place. Major operational risks faced by the Group include, among others, market recognition of the brand and reputation of our school and our Group, changes in general market conditions and perceptions of private higher education, changes in the regulatory environment in the PRC private higher education industry, risk and uncertainties involved in the operation of the new Hanan Campus, its ability to offer quality education to its students, its ability to increase student enrollment and/or raising tuition rates, competition from other university operators that offer similar or higher quality of educational services.

In addition, the Group is also exposed to market risks, including interest rate, credit and liquidity risks that are associated with our ordinary course of business. Details of the above risks and mitigation thereof are set out in note 31 of the notes to financial statements.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on 26 February 2021. Notice of AGM will be published and issued to the shareholders in due course.

RESULTS

The Group's results for the year ended 31 August 2020 are set out in the consolidated statement of profit or loss and comprehensive income on pages 76 to 77 of this annual report.

The Board did not recommend the payment of a final dividend for the year ended 31 August 2020. There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

DIVIDENDS POLICY

The dividend policy of the Company (the "Dividend Policy") is in place to ensure that the Board maintains an appropriate procedure on declaring and recommending the dividend payment of the Group. Accordingly, the Dividend Policy aims to allow Shareholders to participate in the Company's profits whilst preserving the Company's liquidity to capture future growth opportunities.

The declaration and recommendation of dividends is subject to the decision of the Board at its absolute discretion and subject to Shareholders' approval, where applicable. Even if the Board decides to recommend and pay dividends, the form, frequency and amount will depend upon the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, applicable laws and the Articles, and other factors of and affecting the Group.

The Board shall review and reassess the Dividend Policy and its effectiveness in its sole and absolute discretion on a regular basis or as required.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 23 February 2021 to 26 February 2021, both dates inclusive, during which period no transfer of its shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on 22 February 2021.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last four financial years is set out on page 6 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 August 2020 are set out in note 14 to the notes to financial statements of this annual report.

SHARE CAPITAL

Details of movement in the Company's share capital during the year ended 31 August 2020 are set out in note 23 to the notes to financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the year ended 31 August 2020 are set out in the consolidated statement of changes in equity set out on page 80 of this annual report, of which, the reserves available for distribution to the Shareholders as at 31 August 2020 are set out in note 24 to the notes to financial statements.

BORROWINGS

As at 31 August 2020, the Group had outstanding bank and other borrowings and interest accruals of approximately RMB820.8 million. Details of the borrowings are set out in note 22 to the notes to financial statements.

PRE-EMPTIVE RIGHTS

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

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

Details of the net proceeds and use of proceeds from the Company's initial public offering are set out in the section headed "Management Discussion and Analysis - Global Offering and Use of Proceeds from Global Offering" of this report.

DIRECTORS

The Directors in office during the year ended 31 August 2020 and as at the date of this annual report were as follows:

Executive Directors
Mr. Liu Laixiang *(Chairman and Chief Executive Officer)*
Ms. Dong Ling
Mr. Wang Yunfu
Mr. Che Wenge

Independent Non-executive Directors
Mr. Zhang Su
Mr. Cao Shaoshan
Mr. Chan Ngai Fan

BIOGRAPHY DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 21 to 26 in the section headed "Profile of Directors and Senior Management" to this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with us for an initial fixed term of three years commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of our independent non-executive Directors has entered into a letter of appointment with us for an initial fixed term of one year commencing from the Listing Date and will continue thereafter until terminated by not less than three months' notice in writing served by the independent non-executive Director to our Company or with immediate effect following the notice in writing served by our Company to the non-executive Director.

The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

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

Apart from the contracts relating to the reorganization of the Group in relation to the Listing as disclosed in the Prospectus and save as disclosed in the paragraph headed "Non-exempt Continuing Connected Transaction" and otherwise disclosed in this annual report, none of the Director, the Controlling Shareholder or any of their connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 August 2020 and up to the date of this annual report.

REPORT OF THE DIRECTORS

During the year ended 31 August 2020 and up to the date of this annual report, no contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders of the Company or any of its subsidiaries.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 August 2020 and up to the date of this annual report.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in note 8 to the notes to financial statements in this annual report.

For the year ended 31 August 2020, no emoluments were paid by the Group to any Directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors had waived any emoluments for the year ended 31 August 2020.

The Directors and senior management may also receive options to be granted under the Share Option Scheme. For further details of the Share Option Scheme, please refer to the paragraph headed "Share Option Scheme".

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 2.3 to the notes to financial statements.

Except as disclosed above, no other payments had been made or were payable, for the year ended 31 August 2020, by our Group to or on behalf of any of the Directors.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceedings during the year ended 31 August 2020.

LOAN AND GUARANTEE

During the year ended 31 August 2020, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the controlling shareholders of the Company or their respective connected persons.

EQUITY-LINKED AGREEMENTS

During the year ended 31 August 2020, the Company did not enter into any equity-linked agreement.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 August 2020, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

NON-COMPETITION UNDERTAKING

Mr. Liu Laixiang and Ms. Dong Ling, our Controlling Shareholders, have provided non-competition undertakings in favor of the Company under the Business Cooperation Agreement as the shareholders of Harbin Xiangge. Each of the shareholders of Harbin Xiangge undertakes to Liankang Consulting that, unless with the prior written consent of Liankang Consulting, the shareholders of Harbin Xiangge (severally or jointly) shall not (i) directly or indirectly engage, participate in, conduct, acquire or hold any business or activities which compete or may potentially compete with any of our PRC Consolidated Affiliated Entities and its subsidiaries ("Competing Business"), (ii) use information obtained from any of our PRC Consolidated Affiliated Entities or its subsidiaries for the Competing Business, and (iii) obtain any benefit from any Competing Business. Each of the shareholders of Harbin Xiangge further consents and agrees that, in the event that any of them (severally or jointly) directly or indirectly engage, participate in or conduct any Competing Business, Liankang Consulting and/or other entities as designated by us shall be granted an option to require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Structured Contracts. If Liankang Consulting does not exercise such option, the shareholders of Harbin Xiangge shall cease the operation of the Competing Business within a reasonable time.

Compliance with the non-competition undertaking

As at the date of this annual report, the Controlling Shareholders do not have any other interest in any business that may, directly or indirectly, compete with the business of the Group.

The Company has received confirmations from Mr. Liu Laixiang and Ms. Dong Ling confirming their compliance with the above non-competition undertaking during the Reporting Period for disclosure in this annual report.

The independent non-executive Directors have reviewed the compliance with the above non-competition undertaking during the Reporting Period based on the information and confirmation provided by or obtained from Mr. Liu Laixiang and Ms. Dong Ling, and were satisfied that they have duly complied with the relevant undertaking.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

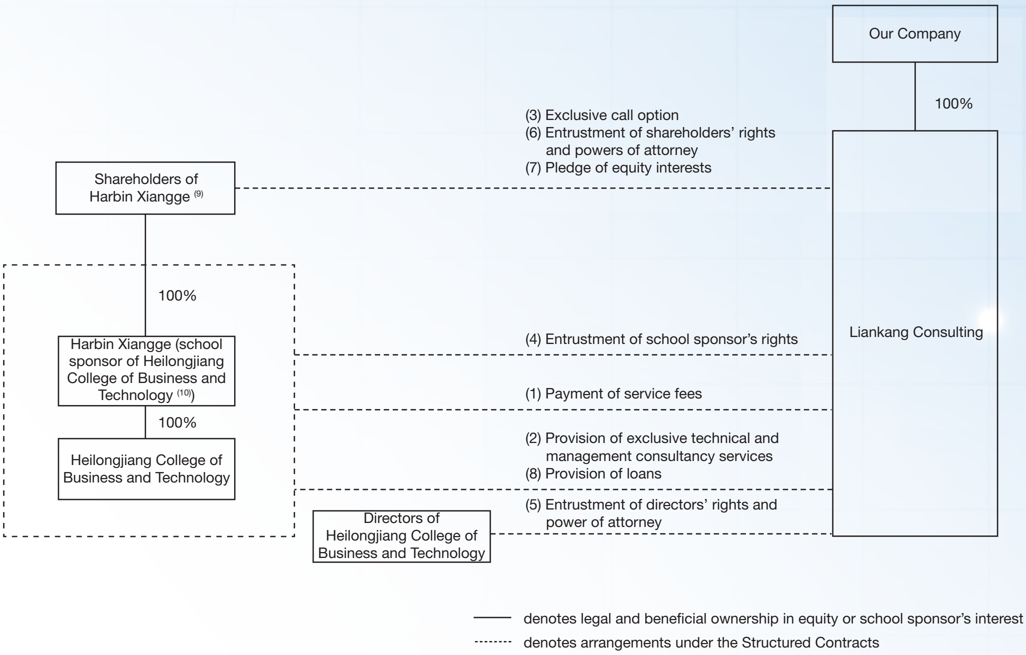
As at the date of this annual report, the Group has entered into the following continuing connected transactions pursuant to Chapter 14A of the Listing Rules:

Structured Contracts

A. Overview

The PRC laws and regulations generally restrict foreign ownership in the private education industry in the PRC and currently restrict the operation of higher education institutions to sino-foreign ownership, in addition to imposing a qualification requirement on the foreign owners. In order to comply with the applicable PRC legal and regulatory restrictions, our Group (through our wholly-owned subsidiary – Liankang Consulting), the PRC Consolidated Affiliated Entities, Mr. Liu and Ms. Dong have entered into the Structured Contracts such that we can conduct our business operations indirectly in the PRC through the PRC Consolidated Affiliated Entities while complying with the applicable laws and regulations. We do not hold any equity interest in Heilongjiang College of Business and Technology. The Structured Contracts, as a whole, are designed to provide the Group with effective control over the financial and operational policies of the PRC Consolidated Affiliated Entities, to the extent permitted by PRC law and regulations, the right to acquire the equity interest and/or school sponsor's interest in the PRC Consolidated Affiliated Entities after the Listing through Liankang Consulting. Pursuant to the Structured Contracts, all material business activities of the PRC Consolidated Affiliated Entities are instructed and supervised by the Group through Liankang Consulting, and all economic benefits arising from such business of the PRC Consolidated Affiliated Entities are transferred to the Group.

The following simplified diagram illustrates the flow of economic benefits from our PRC Consolidated Affiliated Entities to our Group stipulated under the Structured Contracts:



Notes:

(1) Payment of service fees.

(2) Provision of exclusive technical and management consultancy services.

(3) Exclusive call option to acquire all or part of the equity interest or school sponsor's interest in our PRC Consolidated Affiliated Entities.

(4) Entrustment of school sponsor's rights in Heilongjiang College of Business and Technology by Harbin Xiangge.

(5) Entrustment of directors' rights in our PRC Operating School by directors of our PRC Operating School including directors' powers of attorney.

(6) Entrust of Shareholders' right including Shareholders' powers of attorney.

(7) Pledge of equity interest by the shareholders of Harbin Xiangge of their equity interest in Harbin Xiangge.

(8) Provision of loans by Liankang Consulting to Harbin Xiangge.

(9) As of the date of this annual report, Harbin Xiangge is beneficially owned as to 40% and 60% by Mr. Liu and Ms. Dong, respectively.

(10) According to PRC laws and regulations, entities and individuals who establish private schools are commonly referred to as "school sponsors" instead of "owners" or "shareholders."

B. Summary of the Material Terms of the Structured Contracts

A summary of each of the specific agreements in force that comprise the Structured Contracts is set out below. For further details of these agreements, please refer to the section headed "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts" in the Prospectus.

(1) Business Cooperation Agreement

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

In order to prevent the leakage of assets and values of our PRC Consolidated Affiliated Entities, Mr. Liu and Ms. Dong as the shareholders of Harbin Xiangge and each of our PRC Consolidated Affiliated Entities have undertaken that, without the prior written consent of the Liankang Consulting or its designated party, the shareholders of Harbin Xiangge or our PRC Consolidated Affiliated Entities shall not conduct or cause to conduct any activity or transaction which may have any actual impact (i) on the assets, business, staff, obligations, rights or operations of our PRC Consolidated Affiliated Entities or (ii) on the ability of the shareholders of Harbin Xiangge and each of our PRC Consolidated Affiliated Entities to perform the obligations under the Structured Contracts.

Furthermore, each of the shareholders of Harbin Xiangge undertakes to Liankang Consulting that, unless with the prior written consent of Liankang Consulting, the shareholders of Harbin Xiangge (severally or jointly) shall not (i) directly or indirectly engage, participate in, conduct, acquire or hold any business or activities which compete or may potentially compete with any of our PRC Consolidated Affiliated Entities and its subsidiaries ("Competing Business"), (ii) use information obtained from any of our PRC Consolidated Affiliated Entities or its subsidiaries for the Competing Business, and (iii) obtain any benefit from any Competing Business. Each of the shareholders of Harbin Xiangge further consents and agrees that, in the event that any of them (severally or jointly) directly or indirectly engage, participate in or conduct any Competing Business, Liankang Consulting and/or other entities as designated by us shall be granted an option to require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Structured Contracts. If Liankang Consulting does not exercise such option, the shareholders of Harbin Xiangge shall cease the operation of the Competing Business within a reasonable time.

(2) Exclusive Technical Service and Management Consultancy Agreement

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement entered into among Liankang Consulting, Harbin Xiangge and Heilongjiang College of Business and Technology, Liankang Consulting has agreed to provide exclusive technical services to our PRC Consolidated Affiliated Entities including, among others, (a) design, development, update and maintenance of software for computer and mobile devices; (b) design, development, update and maintenance of webpages and websites necessary for the education activities of our PRC Consolidated Affiliated Entities; (c) design, development, update and maintenance of management information systems necessary for the education activities of our PRC Consolidated Affiliated Entities; and (d) providing other technical services reasonably requested by our PRC Consolidated Affiliated Entities.

Furthermore, Liankang Consulting agreed to provide exclusive management consultancy services to our PRC Consolidated Affiliated Entities, including, among others, (a) design of curriculum; (b) preparation, selection and/or recommendation of course materials; (c) provision of teacher and staff recruitment and training support and services; (d) provision of student recruitment support and services; and (e) providing other management technical services reasonably requested by our PRC Consolidated Affiliated Entities.

In consideration of the technical and management consultancy services provided by Liankang Consulting, our PRC Consolidated Affiliated Entities agreed to pay on an annual basis the relevant services fees to Liankang Consulting equal to (a) as for Heilongjiang College of Business and Technology, all of its amount of surplus from operations (after deducting all necessary costs, expenses, taxes, losses from previous years (if required by the law) the legally compulsory development fund (if required by the law)) and other fees required by the law), (b) as for Harbin Xiangge, all of their net profit (after deducting all necessary costs and expenses, taxes, losses from previous years (if required by the law) and the legally compulsory public reserve fund (if required by law)). The compulsory development fund is included as statutory surplus reserve at our Group's level and retained at schools' level. Liankang Consulting has the right (but not the obligation) to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of our PRC Consolidated Affiliated Entities, provided that any adjusted amount shall not exceed the amount mentioned above. Our PRC Consolidated Affiliated Entities do not have any right to make any such adjustment.

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, unless otherwise prescribed under the PRC laws and regulations, Liankang Consulting shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by Liankang Consulting to our PRC Consolidated Affiliated Entities, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Exclusive Technical Service and Management Consultancy Agreement and/or any other agreements entered into between Liankang Consulting and other parties.

(3) Exclusive Call Option Agreement

Under the Exclusive Call Option Agreement entered into among Liankang Consulting, our PRC Consolidated Affiliated Entities and Mr. Liu and Ms. Dong as the shareholders of Harbin Xiangge, the shareholders of Harbin Xiangge have unconditionally and irrevocably granted Liankang Consulting or its designated purchaser the right to purchase all or part of the school sponsor's interest and/or equity interest in our PRC Consolidated Affiliated Entities, as the case may be ("Equity Call Option"). The purchase price payable by Liankang Consulting in respect of the transfer of such school sponsor's interest or equity interest upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. Liankang Consulting or its designated purchaser shall have the right to purchase such proportion of the school sponsor's interest and/or equity interest in our PRC Consolidated Affiliated Entities as it decides at any time.

In the event that PRC laws and regulations allow Liankang Consulting or us to directly hold all or part of the equity interest in our PRC Consolidated Affiliated Entities and operate private education business in the PRC, Liankang Consulting shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of school sponsor's interest and/or equity interest purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by Liankang Consulting or us under PRC laws and regulations.

(4) Equity Pledge Agreement

Pursuant to the Equity Pledge Agreement, each of Mr. Liu and Ms. Dong as the shareholders of Harbin Xiangge unconditionally and irrevocably pledged and granted first priority security interests over all of his/her equity interest in Harbin Xiangge together with all related rights thereto to Liankang Consulting as security for performance of the Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Liankang Consulting as a result of any event of default on the part of our PRC Consolidated Affiliated Entities or the shareholders of Harbin Xiangge (the amount of such loss shall be determined by Liankang Consulting at its absolute discretion to the extent permitted by the PRC law and its determination shall be binding on Mr. Liu and Ms. Dong) and all expenses incurred by Liankang Consulting as a result of enforcement of the obligations of our PRC Consolidated Affiliated Entities and the shareholders of Harbin Xiangge under the Structured Contracts (the "Secured Indebtedness"). Further, it is specified in the Equity Pledge Agreement that, the Secured Indebtedness registered with the PRC authority has a principal amount of RMB200 million and the pledges under the Equity Pledge Agreement shall commence from 26 March 2020 and expire on 5 February 2030 and if the contractual obligations are not fully satisfied or the Secured Indebtedness is not fully repaid by then, the pledgors shall make another registration for the pledges until the full satisfaction of the contractual obligations or repayment of the Secured Indebtedness.

According to the Equity Pledge Agreement, without the prior written consent of Liankang Consulting, the shareholders of Harbin Xiangge shall not transfer the equity interest or create further pledge or encumbrance over the pledged equity interest. Any unauthorized transfer shall be invalid, and the proceeds of any transfer of the equity interest shall be first used in the payment of the Secured Indebtedness or deposited to such third party as agreed to by Liankang Consulting. The shareholders of Harbin Xiangge also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged equity pursuant to the Equity Pledge Agreement.

Supplemental Equity Pledge Agreement

On 5 April 2020, Liankang Consulting, Harbin Xiangge, Mr. Liu and Ms. Dong entered into the Supplemental Equity Pledge Agreement to confirm the understanding among the parties to the Equity Pledge Agreement. Pursuant to the Supplemental Equity Pledge Agreement, the parties agreed that, among others, (a) the previous equity pledge agreement had been terminated upon the date of execution of the Equity Pledge Agreement and (b) the scope of the Secured Indebtedness is reaffirmed, whilst the amount of the Secured Indebtedness registered with the PRC authority (set at RMB200 million) is for the purpose of registration only. For details of the previous equity pledge agreement, please refer to "Structured Contracts – Summary of the Material Terms of the Structured Contracts – (4) Equity Pledge Agreement – Equity Pledge Agreement (I)" of the Prospectus.

(5) Shareholders' Rights Entrustment Agreement

Pursuant to the Shareholders' Rights Entrustment Agreement, each of Mr. Liu and Ms. Dong has irrevocably, unconditionally and exclusively authorized and entrusted Liankang Consulting to exercise all of his/her respective rights as shareholders of Harbin Xiangge to the extent permitted by the PRC laws. These rights include, among others, (a) the right to attend shareholders' meetings of Harbin Xiangge; (b) the right to sign all shareholders' resolutions and other legal documents which the shareholders of Harbin Xiangge have authority to sign in its capacity as shareholders of Harbin Xiangge as the case may be; (c) the right to instruct the directors and legal representative of Harbin Xiangge, as the case may be, to act in accordance with the instruction of Liankang Consulting; (d) the right to handle the legal procedures of registration, approval and licensing of Harbin Xiangge, as the case may be, at the SAIC or other government regulatory departments; and (e) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of Harbin Xiangge as amended from time to time.

In addition, each of the shareholders of Harbin Xiangge has irrevocably agreed that (i) Liankang Consulting may delegate its rights under the Shareholders' Rights Entrustment Agreement to the directors of Liankang Consulting or its designated person, without prior notice to or approval by the shareholders of Harbin Xiangge; and (ii) any person as successor of civil rights of Liankang Consulting or liquidator by reason of subdivision, merger, liquidation of Liankang Consulting or other circumstances shall have authority to replace Liankang Consulting to exercise all rights under the Shareholders' Rights Entrustment Agreement.

(6) Shareholders' Powers of Attorney

Pursuant to the Shareholders' Powers of Attorney executed by each of the shareholders of Harbin Xiangge in favor of Liankang Consulting, each of the shareholders of Harbin Xiangge authorised and appointed Liankang Consulting, as his or her agent to act on his or her behalf to exercise or delegate the exercise of all his or her rights as shareholders of the Harbin Xiangge. For details of the rights granted, see "(5) Shareholders' Rights Entrustment Agreement" section above.

Liankang Consulting shall have the right to further delegate the rights so delegated to its directors or other designated person. Each the shareholders of Harbin Xiangge irrevocably agreed that the authorisation appointment in the Shareholders' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. The Shareholders' Powers of Attorney shall constitute a part and incorporate terms of the Shareholders' Rights Entrustment Agreement.

(7) School Sponsor's and Directors' Rights Entrustment Agreement

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement entered into among Harbin Xiangge, the school directors of Heilongjiang College of Business and Technology nominated by Harbin Xiangge, Heilongjiang College of Business and Technology and Liankang Consulting, Harbin Xiangge, as the school sponsor of Heilongjiang College of Business and Technology, irrevocably, unconditionally and exclusively authorized and entrusted Liankang Consulting to exercise all his/her/its rights as the school sponsor of Heilongjiang College of Business and Technology to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to appoint and/or elect directors or council members of Heilongjiang College of Business and Technology; (b) the right to review the resolutions and records of the board of directors and financial statements and reports of Heilongjiang College of Business and Technology; (c) the right to obtain reasonable returns or distribution of profits (if any) as school sponsor Heilongjiang College of Business and Technology; (d) the right to acquire residue assets upon liquidation of Heilongjiang College of Business and Technology; (e) the right to transfer school sponsors' interest in accordance with the laws; (f) the right to elect Heilongjiang College of Business and Technology as a for-profit or not-for-profit school pursuant to the PRC law and regulations; (g) the right to exercise the voting rights as a school sponsor upon bankruptcy, liquidation, dissolution or termination of Heilongjiang College of Business and Technology; (h) the right to handle the legal procedures of registration, approval and licensing of Heilongjiang College of Business and Technology; and (i) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of each school as amended from time to time.

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, each director of Heilongjiang College of Business and Technology as nominated by Harbin Xiangge (the "Appointees") has irrevocably, unconditionally and exclusively, authorised and entrusted Liankang Consulting to exercise all his/her rights as directors of Heilongjiang College of Business and Technology and to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to attend meetings of the board of directors of Heilongjiang College of Business and Technology as representatives appointed by Harbin Xiangge; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the board meeting of Heilongjiang College of Business and Technology; (c) the right to sign all board minutes, board resolutions and other legal documents which the directors appointed by Harbin Xiangge have authority to sign in his/her capacity as directors of Heilongjiang College of Business and Technology; (d) the right to instruct the legal representative and financial and business responsible persons of Heilongjiang College of Business and Technology to act in accordance with the instruction of Liankang Consulting; (e) the right to exercise all other rights and voting rights of directors as prescribed under the articles of association of Heilongjiang College of Business and Technology; (f) the right to handle the legal procedures of registration, approval and licensing of Heilongjiang College of Business and Technology; and (g) other directors' rights pursuant to applicable PRC laws and regulations and the articles of association of Heilongjiang College of Business and Technology as amended from time to time.

In addition, each of Harbin Xiangge and the Appointees has irrevocably agreed that (i) Liankang Consulting may delegate its rights under the School Sponsor's and Directors' Rights Entrustment Agreement to the directors of Liankang Consulting or its designated person, without prior notice to or approval by Harbin Xiangge and the Appointees; and (ii) any person as successor of civil rights of Liankang Consulting or liquidator by reason of subdivision, merger, liquidation of Liankang Consulting or other circumstances shall have authority to replace Liankang Consulting to exercise all rights under the School Sponsor's and Directors' Rights Entrustment Agreement.

(8) School Sponsor's Powers of Attorney

Pursuant to the School Sponsor's Powers of Attorney executed by Harbin Xiangge in favour of Liankang Consulting, Harbin Xiangge authorized and appointed Liankang Consulting as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of Heilongjiang College of Business and Technology. For details of the rights granted, see "(7) School Sponsor's and Directors' Rights Entrustment Agreement" section above.

Liankang Consulting shall have the right to further delegate the rights so delegated to the directors of Liankang Consulting or other designated person. Harbin Xiangge irrevocably agreed that the authorisation appointment in the School Sponsor's Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of the subdivision, merger, winding up, consolidation, liquidation or other similar events of Harbin Xiangge. The School Sponsor's Powers of Attorney shall constitute part and incorporate terms of the School Sponsor's and Directors' Rights Entrustment Agreement.

(9) Directors' Powers of Attorney

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favor of Liankang Consulting, each of the Appointees authorized and appointed Liankang Consulting as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of Heilongjiang College of Business and Technology. For details of the rights granted, see "(7) School Sponsor's and Directors' Rights Entrustment Agreement" section above.

Liankang Consulting shall have the right to further delegate the rights so delegated to the directors of Liankang Consulting or other designated person. Each of the Appointees irrevocably agreed that the authorisation appointment in the Directors' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. The Directors' Powers of Attorney shall constitute part and incorporate terms of the School Sponsor's and Directors' Rights Entrustment Agreement.

(10) Loan Agreement

Pursuant to the Loan Agreement entered into among Liankang Consulting, Harbin Xiangge and Heilongjiang College of Business and Technology, Liankang Consulting agreed to provide interest-free loans to Harbin Xiangge in accordance with the PRC laws and regulations and Harbin Xiangge agreed to utilize the proceeds of such loans to contribute as capital of Heilongjiang College of Business and Technology in its capacity as school sponsor thereof in accordance with our instructions. Both parties agree that all such capital contribution will be directly settled by Liankang Consulting on behalf of Harbin Xiangge if permitted in practice.

C. *Business activities of the PRC Consolidated Affiliated Entities and their significant and financial contributions to the Group*

The business activities of the PRC Consolidated Affiliated Entities of the Group, namely Harbin Xiangge and Heilongjiang College of Business and Technology, are primarily to offer higher educational services to our students.

The Group obtains control over and derives the economic benefits from the PRC Consolidated Affiliated Entities pursuant to the Structured Contracts. The table below sets out the financial contribution of the PRC Consolidated Affiliated Entities to the Group, in terms of revenue, net profit and total assets for the year ended/as at 31 August 2020 of the PRC Consolidated Affiliated Entities consolidated into the Group's financial statements pursuant to the Structured Contracts:

	Revenue (RMB'000)	% of the Group's revenue	Net profit (RMB'000)	% of the Group's net profit	Total assets (RMB'000)	% of the Group's total assets
PRC Consolidated Affiliated Entities	156,100	100.0	65,396	154.4	1,596,512	85.3

D. *Regulatory Framework*

We currently conduct our private higher education business through Heilongjiang College of Business and Technology (or the "PRC Operating School") in the PRC as PRC laws and regulations generally restrict foreign ownership in the private education industry in the PRC. PRC laws and regulations currently restrict the operation of higher education institutions to Sino-foreign cooperation ownership, in addition to imposing qualification requirements on the foreign owners. We do not hold any equity interest in our PRC Operating School. The Structured Contracts, through which we obtain control over and derive the economic benefits from our PRC Operating School, have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations. We had entered into the Structured Contracts for the existing PRC Operating School and expect to enter into structured contracts for the schools to be newly established or invested in, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects.

1. Higher Education

According to the Negative List, higher education is restricted for foreign investors, and foreign investors are only allowed to invest in higher education through cooperation with a domestic party who shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national; and (b) the representatives of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the "Foreign Control Restriction"). We had fully complied with the Foreign Control Restriction in respect of Heilongjiang College of Business and Technology on the basis that (a) the principal of Heilongjiang College of Business and Technology is a PRC national; and (b) all the members of the board of directors are PRC nationals.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Implementing Rules for the Sino-Foreign Regulation (《中華人民共和國中外合作辦學條例實施辦法》), if we were to apply for Heilongjiang College of Business and Technology to be reorganized as a Sino-foreign joint venture private school for PRC students at higher education institutions (a "Sino-Foreign Joint Venture Private School"), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and that provides high quality education (the "Qualification Requirement"). Our PRC Legal Advisors have advised, and as confirmed in the interview with the competent education authority as mentioned below, that there are no implementing measures or specific guidance on the Qualification Requirement in accordance with the existing PRC laws and regulations but only general principles requiring school sponsor which applies for establishing a Sino-Foreign Joint Venture Private School shall have relevant qualification and be able to provide high quality education services.

Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education, the foreign portion of the total investment in a SinoForeign Joint Venture Private School should be below 50% (the "Foreign Ownership Restriction").

With the assistance of our PRC Legal Advisors, we consulted the Education Department of Heilongjiang Province (黑龍江省教育廳) on 1 July 2019, being the competent authority as advised by our PRC Legal Advisors to confirm the matters relating to the Sino-Foreign Joint Venture Private Schools relevant to us. We were advised by the Deputy Head of Policy and Regulation Division (政策法規處) at the Education Department of Heilongjiang Province that, among others:

(i) the Foreign Ownership Restriction and Qualification Requirement applies to Sino-Foreign Joint Venture Private Schools;

(ii) no implementing measures or specific guidance were promulgated pursuant to the Sino-Foreign Regulation, including the Qualification Requirement, in Heilongjiang Province;

(iii) the Education Department of Heilongjiang Province will not approve an application to establish a new Sino-Foreign Joint Venture Private School with a legal person status (including the conversion of the PRC Operating School into a Sino-Foreign Joint Venture Private School); and

(iv) the execution of the Structured Contracts does not require approval from the education authorities.

Given that as of the date of this report, as advised by our PRC Legal Advisors, we do not meet the Qualification Requirement as we have no experience in operating a school outside of the PRC, and as there are no implementing measures or specific guidance on the Qualification Requirement, it is therefore not practicable for us to seek to apply to reorganize our PRC Operating School or any of the schools to be newly established or invested by us as a Sino-Foreign Joint Venture Private School, or convert our PRC Operating School or any of the schools to be newly established or invested by us into a Sino-Foreign Joint Venture Private School.

Notwithstanding the above, we are committed to working towards meeting the Qualification Requirement. We have adopted a specific plan and will continue to expend genuine efforts and financial resources to do so. We have undertaken to make periodic inquiries of relevant educational authorities following the Listing to understand any regulatory developments, including whether there will be any change in policy for approving Sino-Foreign Joint Venture Private Schools, and assess whether we are qualified to meet the Qualification Requirement, with a view to unwinding the Structured Contracts wholly or partially as and when practicable and permissible under the prevailing PRC laws and regulations. See sections "Updates to the plan to comply with the Qualification Requirement" and "Unwinding the Structured Contracts" below for further information.

As of the date of this annual report, we have not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Structured Contracts and the consolidated financial results of our PRC Operating School, which provides higher education service, are consolidated to those of our Group. Our PRC Legal Advisors have opined that each of our PRC Consolidated Affiliated Entities has been legally established and except for those disclosed under "Structured Contracts – Legality of the Structured Contracts – PRC Legal Opinions" under this section and "Risk Factors – Risks Relating to our Structured Contracts" of the Prospectus, the Structured Contracts in relation to the operation of higher education are valid, legal and binding and do not contravene PRC laws and regulations. According to our PRC Legal Advisors, under PRC laws and regulations, the failure to meet the Qualification Requirement and the adoption of the Structured Contracts to operate our high education do not render our higher education business as illegal operations in the PRC. As disclosed above, we have obtained confirmation from the education authority in Heilongjiang Province during our consultation with it that the execution of Structured Contracts do not require its approval. However, no positive regulatory assurance has been obtained from relevant PRC regulatory authorities with respect to the use of the Structured Contracts in the education industry, and it is impracticable to obtain such assurance, although no relevant PRC regulatory authorities have ever issued any regulations, rules or notices to prohibit the use of Structured Contracts in the education industry.

2. Updates to the plan to comply with the Qualification Requirement

As disclosed in the Prospectus, we have adopted a specific plan and begun to take the following concrete steps which we reasonably believe are meaningful endeavors to demonstrate compliance with the Qualification Requirement. According to the consultation with the relevant official of the Education Department of Heilongjiang Province, there are no implementing measures or specific guidance on the Qualification Requirement. As of the date of this report, we have no experience in operating a higher education institution outside the PRC and accordingly, as advised by our PRC Legal Advisors, we have not been able to fulfill the Qualification Requirement. Nevertheless, having considered that (i) the Education Department of Heilongjiang Province has confirmed that there are no implementing measures or specific guidance on the Qualification Requirement, (ii) there are only general principles that a school sponsor which applies for establishing a Sino-Foreign Joint Venture School shall have relevant qualification and be able to provide high quality education services, (iii) the US School will be established as a higher education institution in accordance with local regulations of the State of Illinois, the U.S., and will provide higher education academic certificates recognized by the local government and it is expected that formal operating authority application will be made to the relevant authority within the one-year validity period of the notice of intent filed on 21 February 2020, (iv) we have sought assistance from our PRC Legal Advisors to understand and evaluate the Qualification Requirement and the attitude of the competent authority in the PRC, and (v) we have expended and set aside certain financial resources and other resources towards fulfilling the Qualification Requirement (including efforts on the establishment of the US School), our PRC Legal Advisors are of the view that, although it is not possible for the Education Department of Heilongjiang Province to approve our application to establish a Sino-Foreign Joint Venture School due to lack of implementation measures or specific guidance, we have taken reasonable and appropriate steps towards fulfilling the Qualification Requirement.

For further details of updates to our plan to comply with the Qualification Requirement, please refer to "Updates to the plan to comply with the Qualification Requirement" section under Management Discussion & Analysis of this annual report and "Structured Contracts – Background of the Structured Contracts – Plan to Comply with the Qualification Requirement" in the Prospectus.

3. Foreign Investment Law

On 1 January 2020, the Foreign Investment Law passed by the second session of the thirteenth National People's Congress took effect. The Foreign Investment Law has replaced the Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the People's Republic of China on Chinese-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Law of the People's Republic of China on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC. The Implementation Regulations for the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法實施條例》) (the "Implementation Regulations for the Foreign Investment Law") was passed by the 74th Executive Session of the State Council on 12 December 2019 and was implemented with effect from 1 January 2020.

Conducting operations through structured contracts has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. The Foreign Investment Law does not explicitly stipulate the structured contracts as a form of foreign Investment. As advised by our PRC Legal Advisors, since structured contracts are not specified as foreign investment under the Foreign Investment Law, and if the future PRC laws, regulations and rules do not incorporate or recognize structured contracts as a form of foreign investment, our Structured Contracts as a whole and each of the agreements comprising the Structured Contracts will not be affected and will continue to be legal, valid and binding on the parties.

For the details of risks relating to the Foreign Investment Law, see "Risk Factors – Risks relating to our Structured Contracts – Significant uncertainties exist in relation to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability or sustainability of our current corporate structure, corporate governance and business operations" in the Prospectus.

If the operation of higher education institutions is no longer in the Negative List and our Group can legally operate the education business under PRC Laws, Liankang Consulting will exercise the Equity Call Option under the Exclusive Call Option Agreement to acquire the school sponsor's interest of Heilongjiang College of Business and Technology and/or the equity interest in Harbin Xiangge and unwind the Structured Contracts subject to re-approval by the relevant authorities.

If the operation of higher education is in the Negative List, the Structured Contracts may be viewed as restricted foreign investment. Although structured contracts currently are not specified as foreign investment under the Foreign Investment Law, the Structured Contracts may be regarded as invalid and illegal if the future laws, administrative regulations or provisions prescribed by the State Council define structured contracts as a form of foreign investment while the operation of higher education is still in the Negative List. As a result, our Group would not be able to operate our PRC Consolidated Affiliated Entities through the Structured Contracts and we would lose our rights to receive the economic benefits of our PRC Consolidated Affiliated Entities. As a result, the financial results of our PRC Consolidated Affiliated Entities would no longer be consolidated into our Group's financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. An investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that a number of existing conglomerates are operating under structured contracts and some of which have obtained listing status abroad, our Directors are of the view that it is unlikely that the relevant regulations will take retrospective effect to require the relevant enterprises to remove the structured contracts.

Risks associated with the Structured Contracts

For risks associated with the Structured Contracts, please see the section headed "Risk Factors – Risks Relating to our Structured Contracts" in the Prospectus for details.

Material change in relation to the Structured Contracts

During the year ended 31 August 2020, there is no material change in the Structured Contracts and/or the circumstances under which they were adopted.

Unwinding the Structured Contracts

As at the date of this annual report, there has not been any unwinding of any Structured Contracts, nor has there been any failure to unwind any Structured Contracts when the restrictions that led to the adoption of the Structured Contracts are removed. For more details, please refer to the section headed "Structured Contracts – Termination of the Structured Contracts" of the Prospectus. In the event that the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), Liankang Consulting will exercise the Equity Call Option in full to hold all of the interest in our PRC Consolidated Affiliated Entities and unwind the Structured Contracts accordingly as permitted by the applicable PRC laws and regulations at the relevant time.

Waiver from the Stock Exchange

The Stock Exchange has granted a waiver to the Company from strict compliance with the connected transactions requirements under Chapter 14A of the Listing Rules in respect of the Structured Contracts. For details, please refer to the section "Connected Transactions – Continuing Connected Transactions" in the Prospectus.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Structured Contracts and our compliance with the Structured Contracts:

(a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(b) our Board will review the overall performance of and compliance with the Structured Contracts at least once a year;

(c) our Company will disclose the overall performance and compliance with the Structured Contracts in its annual reports and interim reports to update the Shareholders and potential investors;

(d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding the Qualification Requirement and our status of compliance with the foreign investment law and its accompanying explanatory notes as stipulated under the section headed "Structured Contracts – Background of the Structured Contracts" and the latest development of the foreign investment law and its accompanying explanatory notes as disclosed under the section headed "Structured Contracts – Development in the PRC Legislation on Foreign Investment" of the Prospectus, including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the Qualification Requirement; and

(e) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Structured Contracts, review the legal compliance of Liankang Consulting and our PRC Consolidated Affiliated Entities to deal with specific issues or matters arising from the Structured Contracts.

In addition, notwithstanding that our executive Directors, Mr. Liu and Ms. Dong are also the shareholders of Harbin Xiangge, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the Listing under the following measures:

(a) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(b) each of our Directors is aware of his fiduciary duties as a Director which requires, amongst other things, that he acts for the benefits and in the best interests of our Group;

(c) we have appointed three independent non-executive Directors, comprising over one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and

(d) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

Confirmation from Independent Non-executive Directors

Our independent non-executive Directors have reviewed the Structured Contracts and transactions conducted pursuant thereto (collectively, the "Continuing Connected Transactions") and confirmed that during the year ended 31 August 2020:

(i) the Continuing Connected Transactions have been entered into in the ordinary and usual course of business of the Group;

(ii) the Continuing Connected Transactions are on normal commercial terms or better;

(iii) the Continuing Connected Transactions have been entered into in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and

(iv) no dividends or other distributions have been made by our PRC Consolidated Affiliated Entities to the holders of equity or school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group.

Confirmation of the Auditor

The Company's auditor has carried out procedures on the transactions on the continuing connected transactions entered into by the Group for the year ended 31 August 2020, and has provided a letter to the Directors with a copy to the Stock Exchange, confirming that in respect of the continuing connected transactions disclosed in this annual report:

a. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

b. for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

c. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d. with respect to the transactions carried out pursuant to the Structured Contracts, nothing has come to their attention that causes them to believe that dividends or other distributions have been made by the PRC Consolidated Affiliated Entities to the Controlling Shareholders which are not otherwise subsequently assigned or transferred to the Group.

CONNECTED TRANSACTIONS

During the year ended 31 August 2020, save as disclosed in the section headed "Non-exempt Continuing Connected Transactions" above in this report, the Group had not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules. The Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 August 2020 are set out in note 28 to the notes to financial statements contained herein. Certain transactions as set out therein ceased prior to the Listing and therefore do not fall under "Connected Transactions" or "Continuing Connected Transactions" in accordance with Chapter 14A of the Listing Rules, except for directors' emoluments, which form part of the "Directors' Remuneration" described in note 8 to the notes to financial statements were continuing connected transactions exempt from the connected transaction requirements under Rule 14A.76(1) or 14A.95 of the Listing Rules (as the case may be).

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of the then shareholder of our Company passed on 22 July 2020 and adopted by a resolution of the Board on 22 July 2020 (the "Adoption Date"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the Prospectus) an opportunity to have a personal stake in our Company and help motivate them to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined in the Prospectus), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Who may join

The Board may, at its absolute discretion, offer options ("Options") to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to the Eligible Persons.

3. Maximum number of Shares

Subject to the terms of the Share Option Scheme, the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (such 10% limit representing 66,666,700 Shares).

The total number of Shares available for issue under the Share Option Scheme was 66,666,700 Shares, representing approximately 10% of the issued Shares as at the date of this annual report.

4. Maximum entitlement of each participant

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of the Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting.

5. **Offer and grant of Options**

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

6. **Granting Options to connected persons**

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

7. **Minimum holding period, vesting and performance target**

Subject to the provisions of the Listing Rules, the Board may impose any conditions, restrictions or limitations when offering the grant of an Option, including qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. Subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

8. **Amount payable for Options and offer period**

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date. Participants of the Share Option Scheme are required to pay the Company HK$1.00 upon acceptance of the grant on or before 28 days after the offer date.

9. **Subscription price**

The subscription price shall be such price as the Board may determine at the time of grant of the relevant Option but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

10. **Life of Share Option Scheme**

Subject to the terms of this Share Option Scheme, the Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme. The remaining life of the Share Option Scheme is 10 years.

During the year ended 31 August 2020, no option under the Share Option Scheme has been granted, exercised, lapsed or cancelled.

The total number of Shares issued and to be issued upon exercise of Options granted and to be granted to any one person in any 12-month period shall not exceed 1% of our Company's issued share capital from time to time. The subscription price for Shares under the Share Option Scheme shall be a price in the Board absolute discretion determine at the time of grant of the relevant Option, but shall not be less than whichever is the highest of (i) the nominal value of a Share; (ii) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and (iii) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES

As at 31 August 2020, the interests and short positions of Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as notified the Company and the Stock Exchange pursuant to the Model Code, are as follows:

(i) Directors' interests in the Company

Name of Director	Capacity/Nature of interest	Number of Shares interested[(1)]	Approximate percentage of shareholding[(1)]
Mr. Liu Laixiang [(2)(3)]	Interest in controlled corporation	491,000,000 (L)	73.6% (L)
Ms. Dong Ling [(4)(5)]	Interest in controlled corporation	491,000,000 (L)	73.6% (L)

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Junhua Education is 100% owned by Mr. Liu and he is therefore deemed to be interested in all the Shares held by Junhua Education.

(3) Mr. Liu is the spouse of Ms. Dong and he is therefore deemed to be interested in the Shares held by Ms. Dong.

(4) Shuren Education is 100% owned by Ms. Dong and she is therefore deemed to be interested in all the Shares held by Shuren Education.

(5) Ms. Dong is the spouse of Mr. Liu and she is therefore deemed to be interested in the Shares held by Mr. Liu.

(ii) Directors' interests in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Amount of registered capital	Percentage of shareholding[1]
Mr. Liu Laixiang [2]	Harbin Xiangge Enterprise Management Ltd.* (哈爾濱祥閣企業管理有限公司)	Beneficial owner/interest of spouse	RMB40,000,000	100% (L)
Ms. Dong Ling [3]	Harbin Xiangge Enterprise Management Ltd.* (哈爾濱祥閣企業管理有限公司)	Beneficial owner/interest of spouse	RMB40,000,000	100% (L)
Mr. Liu Laixiang [4]	Heilongjiang College of Business and Technology	Interest in a controlled corporation/interest of spouse	RMB183,000,000	100% (L)
Ms. Dong Ling [5]	Heilongjiang College of Business and Technology	Interest in a controlled corporation/interest of spouse	RMB183,000,000	100% (L)

Notes:

(1) The letter "L" denotes the person's long position in the relevant shares/securities.

(2) Mr. Liu is the beneficial owner of 40% of equity interest in Harbin Xiangge; his spouse, Ms. Dong is the beneficial owner of the remaining 60% of equity interest. Mr. Liu is deemed to be interest in all the equity interest held by Ms. Dong in Harbin Xiangge.

(3) Ms. Dong is the beneficial owner of 60% of equity interest in Harbin Xiangge; her spouse, Mr. Liu is the beneficial owner of the remaining 40% of equity interest. Ms. Dong is deemed to be interest in all the equity interest held by Mr. Liu in Harbin Xiangge.

(4) Harbin Xiangge is the sole school sponsor and holding all equity interest of Heilongjiang College of Business and Technology. Harbin Xiangge is 40% owned by Mr. Liu and thus he is deemed to be interested in all the shares held by Harbin Xiangge in Heilongjiang College of Business and Technology; at the same time, he is the spouse of Ms. Dong and he is therefore deemed to be interested in the shares held by Ms. Dong through Harbin Xiangge under the SFO.

(5) Harbin Xiangge is the sole school sponsor and holding all equity interest of of Heilongjiang College of Business and Technology. Harbin Xiangge is 60% owned by Ms. Dong and thus she is deemed to be interested in all the shares held by Harbin Xiangge in Heilongjiang College of Business and Technology; at the same time, she is the spouse of Mr. Liu and she is therefore deemed to be interested in the shares held by Mr. Liu through Harbin Xiangge under the SFO.

Save as disclosed above and to the best knowledge of the Directors, as at 31 August 2020, none of the Directors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be 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 which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE COMPANY

So far as is known to any Director or chief executive of the Company, as at 31 August 2020, the following corporations/persons (other than Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity/ Nature of interest	Number of Shares interested[1]	Approximate Percentage of shareholding[1]
Junhua Education Limited[2][3]	Beneficial owner	191,000,000 (L)	28.6% (L)
Shuren Education Limited[4][5]	Beneficial owner	300,000,000 (L)	45.0% (L)

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Junhua Education is 100% owned by Mr. Liu and he is therefore deemed to be interested in all the shares of Leader Education held by Junhua Education under the SFO.

(3) Mr. Liu is the spouse of Ms. Dong. Mr. Liu is deemed to be interested in all the shares of Leader Education in which Ms. Dong is interested under the SFO.

(4) Shuren Education is 100% owned by Ms. Dong and she is therefore deemed to be interested in all the shares of Leader Education held by Shuren Education under the SFO.

(5) Ms. Dong is the spouse of Mr. Liu. Ms. Dong is deemed to be interested in all the shares of Leader Education in which Mr. Liu is interested under the SFO.

Save as disclosed above and to the best knowledge of the Directors, as at 31 August 2020, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

Directors' Right to Acquire Shares or Debentures

Save as disclosed in this annual report, at no time during the reporting period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their respective spouses or children under the age of 18 were granted any right to subscribe for the share capital or debt securities of the Company or any other body corporate or had exercised any such right.

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

Save for the issue of new Shares in the initial public offering of the Company, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 August 2020.

Other than the Share Option Scheme, there have been no option, convertible securities or similar rights or arrangements, issued or granted by the Group during the year ended 31 August 2020 and as at the date of this annual report.

MAJOR CUSTOMER AND SUPPLIERS

Our customers primarily consist of our students from our continuing operations. We did not have any single customer who accounted for more than 5% of our revenue for the year ended 31 August 2020.

Our suppliers primarily consist of construction project contractors, heating service providers, teaching equipment suppliers and booksellers. During the year ended 31 August 2020, the Group's largest suppliers accounted for 10.2% of the Group's total purchase. The Group's five largest suppliers accounted for 30.5% of the Group's total purchase.

None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any beneficial interest in the Group's five largest suppliers.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

A remuneration committee was set up for reviewing the Group's remuneration policy and structure for all remuneration of the Directors and senior management of the Group, taking into account the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Group and to the best knowledge of the Directors, the Group maintained sufficient public float as the public Shareholders held not less than 25% of the issued share capital of the Company as required by the Listing Rules.

PERMITTED INDEMNITY PROVISIONS

Pursuant to article 164(1) of the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that such indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

Furthermore, the Company has arranged appropriate liability insurance in respect of legal proceedings against the Directors.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Audit Committee, together with the Board and external auditor, has reviewed the Group's audited consolidated financial statements for the year ended 31 August 2020.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole.

Information on the corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" of this annual report.

AUDITOR

Ernst & Young was appointed as the Company's auditor for the year ended 31 August 2020. The accompanying consolidated financial statements prepared in accordance with IFRSs have been audited by Ernst & Young. Ernst & Young shall retire at the AGM and, being eligible, will offer itself for re-appointment. A resolution for the re-appointment of Ernst & Young as the Company's auditor will be proposed at the AGM.

On behalf of the Board
LIU Laixiang
Chairman

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders.

The Company was listed on 6 August 2020. Since the Listing Date to 31 August 2020, except for the deviations noted below, the Company complied with the code provisions of the CG Code and, where appropriate, adopted the recommended best practices as set out in the CG Code.

(a) CG Code A.2.1

CG Code A.2.1 provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Liu Laixiang is currently both the Chief Executive Officer and Chairman of the Board. As Mr. Liu has been managing the business and in charge of the overall strategic planning of Harbin Xiangge since 2007 and Heilongjiang College of Business and Technology (including its predecessor) since 2011, the Board believes that vesting the roles and functions of both Chief Executive Officer and Chairman in the same person can ensure consistent leadership and efficient discharge of executive functions within the Group which is beneficial to the overall operation and management of our Group. The balance of power and authority is ensured by the operation of the senior management and the Board, both of which comprise experienced and high-calibre individuals. The Board comprises five other experienced and high-calibre individuals including two other executive Directors (excluding Ms. Dong Ling, who is Mr. Liu's spouse) and three independent non-executive Directors, who would be able to offer advice from various perspectives. For major decisions of our Group, the Board will make consultations with appropriate Board committees and senior management. The Group considers that the balance of power and authority of the Board will not be impaired under the present arrangement. Therefore, our Directors consider that the present arrangement is beneficial to and in the interest of our Company and our Shareholders as a whole.

Our Directors will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at an appropriate time if necessary.

(b) CG Code A.2.7

Pursuant CG Code provision A.2.7, the chairman should at least annually hold one meeting with the independent non-executive directors, without the presence of other directors. As (i) there was regular communication among the Directors on different matters related to the Company prior to its Listing, (ii) there was only a short timeframe between the Listing Date and the financial year end (31 August 2020) and (iii) the Directors had other business and/or personal engagement, the Chairman did not hold any meeting with the independent non-executive Directors without the presence of other Directors during this period. Subsequent to 31 August 2020, the Group held one such meeting.

(c) CG Code A.5.2

With reference to CG Code A.5.2 and the terms of reference of the Nomination Committee, the Nomination Committee should 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. As there has been discussion among Directors on the relevant matters prior to the Listing of the Company and there was only a short timeframe between the Listing Date and the financial year end (31 August 2020), there was no separate meeting or review conducted by the Nomination Committee during this period. Subsequent to 31 August 2020, the Nomination Committee held one meeting to review and discuss the matters stated above.

(d) CG Code C.2.5

Under CG Code provision C.2.5, the Group should have an internal audit function. The Group conducted a review on the need for setting up an internal audit department. Having considered the Group's relatively simple operating structure, the Board considered that it shall be directly responsible for risk management and internal control systems of the Group. The Board, through the Audit Committee, had conducted a review on the risk management and internal control systems of the Group. The review covered material controls, including financial, operational and compliance controls and risk management functions of the Group. Appropriate measures have been put in place to manage the risks and no major issue was identified.

(e) CG Code C.3.3

With reference to CG Code provision C.3.3 (d) and (e) and the terms of reference of the Audit Committee, the Audit Committee should meet at least two times per year and shall meet with the external auditors at least twice a year and at least one of which should be held in the absence of the management. As there was only a short timeframe between the Listing Date and the financial year end, the Audit Committee did not hold any meeting during this period and subsequent to 31 August 2020, the Audit Committee held one meeting with the Company's auditors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions conducted by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions conducted by relevant Directors. After making specific enquires to all Directors, each of them has confirmed that they have complied with the required standards set out in the Model Code during the period from the Listing date and up to the date of this annual report.

BOARD OF DIRECTORS

The Board is responsible for leading and directing the Group's business through formulation of overall strategies and policies, evaluation of performance and overseeing the management function. In discharging its duties, the Board acts in good faith with due diligence and care, and makes decisions in the best interests of the Company and its shareholders. The execution of strategies and implementation of policies in the Group's daily operations are delegated to the management team. The Company provides the Directors with sufficient resources to perform their duties and the Directors may seek independent professional advice at the Company's cost, where it is considered relevant and necessary for the purpose of discharging their duties.

The Company has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its directors and senior management arising out of corporate activities.

The composition of the Board and the attendance record of each Director at board meetings since the date of Listing and up to 31 August 2020 are as below. The Company has not held a members' general meeting since the Listing.

	Appointed on	Attendance/ Meeting held
Executive Directors		
Mr. Liu Laixiang *(Chairman and Chief Executive Officer)*	19 February 2020	3/3
Ms. Dong Ling	19 February 2020	3/3
Mr. Wang Yunfu	19 February 2020	3/3
Mr. Che Wenge	19 February 2020	3/3
Independent Non-executive Directors		
Mr. Zhang Su	22 July 2020	3/3
Mr. Cao Shaoshan	22 July 2020	3/3
Mr. Chan Ngai Fan	22 July 2020	3/3

Biographic details of and the relationship amongst the Directors are presented in the section headed "Profiles of Directors and Senior Management" of this annual report. A list of the Directors identifying their roles and functions is available on the Stock Exchange's and the Company's website.

Ms. Dong is the spouse of Mr. Liu, our Chairman and CEO.

Except as disclosed above or otherwise in this annual report, there is no other relationship (including financial, business, family or other material/relevant relationship(s) among the Board members.

Each of the Directors (being Mr. Liu Laixiang, Ms. Dong Ling, Mr. Wang Yunfu, Mr. Che Wenge, Mr. Zhang Su, Mr. Cao Shaoshan and Mr. Chan Ngai Fan) has participated in continuous professional development seminar organised by the Company or external institutions (as the case may be) to develop their knowledge and skills during the year.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors have brought in a wide range of business and financial expertise, experience and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, all independent non-executive Directors will continue to make various contributions to the Company.

For the period from the Listing Date and up to the date of this annual report, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10(A) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise and the number of independent non-executive Directors represents at least one-third of the Board.

The Company has received from each of the independent non-executive Directors an annual confirmation of independence and considers that each of them to be independent by reference to the Rule 3.13 of the Listing Rules.

The composition of the Board provides sufficient balance of skills, experience and diversity of perspectives in leading the Company to achieve its goal and the independent non-executive Directors provide independent judgment in the Board's overall decision making process.

FUNCTIONS, ROLES AND RESPONSIBILITIES OF THE BOARD

The Board, headed by the chairman of the Board (the "Chairman"), is responsible for formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management.

The executive Directors are responsible for day-to-day management of the Company's operations, financial management and conducting meetings with senior management of the Group, at which operational issues and financial performance are evaluated.

The Company considers that internal control system and risk management function are essential, and the Board plays an important role in implementing and monitoring internal control system and risk management function.

Matters specifically decided by the Board and those reserved for the management, such as daily management, administration, operation of the Company and so forth, are reviewed by the Board on a periodic basis. The management shall report back to the Board.

In addition, the Directors may seek independent professional advice in appropriate circumstances at the Company's expenses.

Board Meetings

The Company's articles of association sets out the responsibilities and proceedings of the Board. The Board meets regularly, at least four times a year, to consider operational reports and policies of the Company. Significant operational policies are discussed and passed by the Board. Not less than 14 days' notices are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and Board Committee meetings, reasonable notice is generally given in the circumstances.

The Company Secretary of the Company is responsible for taking and keeping minutes of all Board meetings and committee meetings. Minutes of the Board meetings and committee meetings are recorded in sufficient details in respect of matters considered by the Board and committees and the decisions reached. Final version of these minutes are available for inspection by Directors.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Save as disclosed in this annual report, there is no change in information of directors since the Listing Date and up to the date of this annual report.

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years, while each of the independent non-executive Directors has been appointed for an initial fixed term of one year.

Notwithstanding the specific term of appointment, provisions of the Company's articles of associations require that every Director is subject to retirement by rotation at an annual general meeting at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to the Company's articles of association, at least one-third of the Directors shall retire from office but are eligible for re-election by the Shareholders at each annual general meeting of the Company and each Director shall retire on a rotational basis at least once every three years.

BOARD DIVERSITY POLICY

The Board has adopted a policy of the Board diversity (the "Board Diversity Policy") which sets out the objective and approach to achieve and maintain diversity on our Board in order to enhance the effectiveness of our Board. The Board Diversity Policy provides that our Company should endeavor to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our business strategy. Pursuant to the Board Diversity Policy, selection of candidates for Directors will be based in a range of diversity perspectives, including but not limited to professional experience, gender, age, culture, independence, educational background, knowledge, expertise and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Board believes that such merit-based appointments will best enable our Company to serve the Shareholders and other stakeholders going forward.

The Nomination Committee is responsible for reviewing and monitoring the implementation of the Board Diversity Policy to ensure the effectiveness of the Board Diversity Policy.

DIVIDEND POLICY

Subject to the constitutional documents and applicable laws, our Company may from time to time declare dividends in any currency to be paid to the Shareholders in the general meeting but no dividend shall be declared in excess of the amount recommended by the Board. Please refer to the section headed "Dividend Policy" in the Directors' Report for further details of the dividend policy of the Company.

BOARD COMMITTEES

As an integral part of good corporate governance, the Board has established three committees for overseeing the performance of specific functions which are set out in written terms of reference for each committee. As there was only a short timeframe between the Listing Date and the financial year end (31 August 2020), there was no separate meeting of each committee. Subsequent to 31 August 2020, the composition of each committee and attendance of members at committee meeting are as follows:

Composition of Board committees	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
	Attendance/Number of meetings held (C=Chairman; M=Member of the Committee)		
Independent Non-executive Directors			
Mr. Zhang Su	1/1(M)	1/1(M)	1/1(C)
Mr. Cao Shaoshan	1/1(M)	1/1(M)	1/1(M)
Mr. Chan Ngai Fan	1/1(C)	N/A	N/A
Executive Directors			
Mr. Liu Laixiang *(Chairman and Chief Executive Officer)*	N/A	1/1(C)	1/1(M)
Ms. Dong Ling	N/A	N/A	N/A
Mr. Wang Yunfu	N/A	N/A	N/A
Mr. Che Wenge	N/A	N/A	N/A

Audit Committee

The Audit Committee comprises, Mr. Chan Ngai Fan, Mr. Zhang Su and Mr. Cao Shaoshan, all of whom are independent non-executive Directors. Mr. Chan Ngai Fan is the chairman of the Audit Committee.

The Audit Committee was established in July 2020 with written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control and risk management system, recommend the appointment/removal of external auditors and to provide advice and comments to the Board on matters related to corporate governance.

According to the terms of reference of audit committee, the committee should meet at least two times per year. As the Company's listing date was 6 August 2020, the Company held only one meeting since Listing and up to the date of this annual report to review the annual results for the year ended 31 August 2020, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and scope of work and appointment of external auditors.

Since the Listing and up to the date of this annual report, the Audit Committee also met once with the external auditors without the presence of the executive Directors to discuss, among others, the Group's annual financial results and adequacy of the Group's internal control system.

Nomination Committee

The Nomination Committee comprises one executive Director, Mr. Liu Laixiang and two independent non-executive Directors, Mr. Zhang Su and Mr. Cao Shaoshan. Mr. Liu Laixiang is the chairman of the Nomination Committee.

The Nomination Committee was established in July 2020 and written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

The primary duties of the Nomination Committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management. It identifies individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships by considering factors including perspective, skills and experience that the individual can bring to the Board, and the contribution to diversity of the Board (as set out in the diversity policy of the Board as approved by the Board from time to time. The Board is ultimately responsible for selection and appointment of new Directors.

Since the Listing and up to the date of this annual report, the Remuneration Committee held one meeting during which its members reviewed the structure, size, composition and diversity of the Board. The Nomination Committee has also reviewed the independence of independent non-executive Directors, considered the retirement and proposal for appointment of Directors at the Company's forthcoming annual general meeting.

Remuneration Committee

The Remuneration Committee comprises one executive Director, Mr. Liu Laixiang and two independent non-executive Directors, Mr. Zhang Su and Mr. Cao Shaoshan. Mr. Zhang Su is the chairman of the Remuneration Committee.

The Remuneration Committee was established in July 2020 with written terms of reference in compliance with the CG Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

The primary duties of the remuneration committee are to make recommendations to the Board on our Company's policy and structure concerning the remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, review and approve performance based remuneration by reference to corporate goals and objectives, to determine the terms of the specific remuneration package of each executive Director and senior management and to ensure none of our Directors determine their own remuneration.

Since the Listing and up to the date of this annual report, the Remuneration Committee held one meeting during which its members reviewed the remuneration policy and structure of the Company, the remuneration packages of the executive Directors and senior management and other related matters of the Company and make recommendations in these aspects to the Board.

EXTERNAL AUDITOR

The auditors are Ernst & Young. Ernst & Young provided services in respect of the audit of Company's consolidated financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) for the year ended 31 August 2020.

The remuneration paid to the Company's auditor for the year ended 31 August 2020 is as below:

	RMB'000
Annual audit and related services	800
Audit services related to IPO	3,400
Total	4,200

The statement of the auditors regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 71 to 75 of this annual report.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of financial statements of the Company for the year ended 31 August 2020. The responsibilities of the Company's auditor on the consolidated financial statements of the Group are set out in the independent auditor's report on pages 71 to 75 of this annual report. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for evaluating and determining the nature and extent of the risks the Group is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems.

The management is primarily in charge of designing, implementing and monitoring the risk management and internal control systems. The Board, through the Audit Committee, oversees management on the above systems and has conducted a review on the effectiveness of the systems including aspects of financial, operational and compliance controls annually. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Due to the simplicity of the Group's operating structure and effectiveness consideration, the Group does not have an internal audit department. Instead, the Group has engaged an independent internal control consultant to perform the internal audit function and conduct an assessment on the internal control system and risk management of the Group for the year ended 31 August 2020. The review covered all material risks and controls, including financial, operational, business and strategic, compliance as well as risk management. The independent internal control consultant analyzed the adequacy and effectiveness of such systems by (i) interviewing with the Board and supervisors of different operation units regarding the Group's daily operation flow and (ii) examining major internal control procedures by random sampling. The independent internal control consultant has provided its findings and recommendations in respect of enhancing the Group's effectiveness on such systems to the Audit Committee. The Board considered that the Group's risk management and internal control are adequate and effective.

The key features of the Group's risk management and internal control systems include:

– A comprehensive financial accounting system to accurately measure financial performance of the Group

– The Board monitors and maintains levels of cash and cash equivalents deemed adequate to finance the Group's operations

– Prior approval from Directors/senior executive regarding commitment for all material matters

– Guidelines on assessing, reporting and disseminating inside information

– Organized and standardized procedures on recruitment and employee relocation

– Periodic review by management on the internal control procedures and risks factors

– Report to the Audit Committee about the findings on identified risks and measures to address such risks.

The Group will continue to engage external independent professionals to review the Group's systems of internal control and risk management annually and further enhance the Group's system as appropriate. The Board will also continually evaluate the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions.

The Board will continue to review at least annually the need for an internal audit function.

COMPANY SECRETARY

The company secretary of the Company, Mr. Chang Eric Jackson, is an external service provider. For details of Mr. Chang, please refer to the section headed "Profile of Directors and Senior Management" in this annual report. The Company's primary contact with the company secretary is our chairman, Mr. Liu Laixiang.

In compliance with Rule 3.29 of the Listing Rules, Mr. Chang Eric Jackson undertook not less than 15 hours of relevant professional training to update his skills and knowledge during the year ended 31 August 2020.

CONSTITUTIONAL DOCUMENTS

The Company has adopted the amended and restated Memorandum and Articles of association of the Company on 22 July 2020, with the Memorandum of Association and the Articles of Association taking effect from 22 July 2020 and the Listing Date, respectively. Since the Listing Date up to the date of this annual report, there was no significant change in constitutional documents of the Company.

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

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

Convening of extraordinary general meeting and putting forward proposals

Under the articles of association, an extraordinary general meeting ("EGM") may be convened by the Board upon requisition by any one or more Shareholders holding not less than one-tenth of the paid up capital of the Company which carries the right of voting at any general meetings. The Shareholder(s) shall make a written requisition to the Board or the Company Secretary at the head office of the Company in Hong Kong, specifying the shareholding information of the Shareholder(s), his/her/their contact details and the proposal regarding any specifying transaction/business and its supporting documents.

If within 21 days of deposit of such written requisition, the Board does not proceed to convene such EGM, the requisitionist(s) himself/herself/themselves may convene an EGM in the same manner as that in which such meeting may be convened by the Board, provided that such meeting so convened shall not be held after the expiration of two months from the date of deposit of such requisition.

The Company believes that effective communication with its shareholders is essential for enhancing investors' understanding of the Group's business and performance. The Company maintains a corporate website at www.leader-education.cn to disseminate latest information about the Group in the aspects of business operations, financial information, corporate governance practices and other information.

Enquiries to the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to Mr. Chang Eric Jackson, the company secretary of the Company, at Unit 26, 14/F, Solo Building, 41-43 Carnarvon Road, Tsimshatsui, Kowloon, Hong Kong.

EY 安永

To the shareholders of Leader Education Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Leader Education Limited (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 153, which comprise the consolidated statement of financial position as at 31 August 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Income tax	
As disclosed in note 10 to the financial statements, according to the Implementation Rules for the Law for Promoting Private Education (the "Implementation Rules"), private schools for which the school sponsor does not require reasonable returns are eligible to enjoy the same preferential tax treatments as public schools. The Group's school, Heilongjiang College of Business and Technology in the People's Republic of China (the "PRC School") which has elected to be a private school does not require reasonable returns did not pay corporate income tax for the provision of formal educational services and enjoyed the preferential tax treatments in 2020. However, there have been no rules specifying the preferential tax treatment enjoyed by public schools in the Corporate Income Tax Law of the People's Republic of China or other relevant tax rules and regulations. Significant judgement is required in determining the provision for income taxes as there are uncertainties in interpreting the relevant tax laws and regulations with respect to the preferential tax treatments enjoyed by the PRC School. The Group engaged an external legal advisor for the assessment of income tax obligations, and there were significant judgements involved in management's analysis and assessment, such as an assessment on the possible outcome of the tax provision based on historical experiences, and estimations about future events after 31 August 2020 that may cause the Group to change its judgements regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact the tax expense in the period in which such determination is made. Relevant disclosures are included in notes 3 and 10 to the financial statements.	We have performed the following procedures: • discussed with management to understand and evaluate their interpretation of the tax laws and their assessment of the tax obligations and the application of preferential tax or applicable tax rate to the school operated by the Group for the current year; • obtained the Group's external legal advisor's comments on the tax obligations applied onto the Group's school, in particular, whether the PRC School which enjoyed such preferential tax treatments was in compliance with applicable laws and regulations in China; • assessed any new policies, regulations or rules that have been introduced by the authorities up to the date of this report, which might have an impact on the tax position of the PRC School; • examined the historical tax filing returns filed to the relevant tax authorities and the tax compliance confirmations obtained, where appropriate; and • involved our internal tax experts to assist us in analysing the preferential tax treatments enjoyed by the PRC School and assessing the adequacy of tax provisions.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

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

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

- 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.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Choi Wai Wing, Ringo.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

30 November 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 AUGUST 2020

	Notes	2020 RMB'000	2019 RMB'000
CONTINUING OPERATIONS			
REVENUE	5	**156,100**	138,212
Cost of sales		**(71,061)**	(59,007)
Gross profit		**85,039**	79,205
Other income and gains	5	**1,182**	1,222
Selling expenses		**(973)**	(814)
Administrative expenses		**(37,128)**	(9,256)
Other expenses, net		**(1,055)**	–
Finance costs	7	**(3,229)**	–
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**43,836**	70,357
Income tax expense	10	**–**	–
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**43,836**	70,357
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation		**(1,477)**	(146)
PROFIT FOR THE YEAR		**42,359**	70,211

continued/...

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 AUGUST 2020

	Notes	2020 RMB'000	2019 RMB'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		624	–
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		624	–
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		(3,273)	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		(3,273)	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR		(2,649)	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		39,710	70,211
Profit attributable to:			
Owners of the parent		42,359	70,211
Total comprehensive income attributable to:			
Owners of the parent		39,710	70,211
Earnings per share attributable to ordinary equity holders of the parent:	13		
Basic and diluted			
– For profit for the year		RMB0.0828	RMB0.1404
– For profit from continuing operations		RMB0.0856	RMB0.1407

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 AUGUST 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,451,372**	1,351,480
Right-of-use assets	15	**15,981**	16,464
Other intangible assets	16	**3,035**	1,089
Prepayments for purchase of property, plant and equipment		**24,082**	23,460
Other non-current assets	17	**4,200**	3,000
Total non-current assets		**1,498,670**	1,395,493
CURRENT ASSETS			
Prepayments, other receivables and other assets	18	**34,892**	5,247
Cash and cash equivalents	19	**337,554**	139,932
		372,446	145,179
Assets of a disposal group classified as held for distribution on demerger	11	**–**	46,795
Total current assets		**372,446**	191,974
CURRENT LIABILITIES			
Contract liabilities	20	**102,129**	129,197
Other payables and accruals	21	**68,158**	94,103
Interest-bearing bank and other borrowings and interest accruals	22	**95,356**	63,262
Amounts due to shareholders		**–**	2,800
Amount due to a related party		**–**	3,245
		265,643	292,607
Liabilities directly associated with the assets classified as held for distribution on demerger	11	**–**	53,088
Total current liabilities		**265,643**	345,695
NET CURRENT ASSETS/(LIABILITIES)		**106,803**	(153,721)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,605,473**	1,241,772

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 AUGUST 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings and interest accruals	22	**725,460**	667,109
Payables for purchase of property, plant and equipment	21	**61,042**	113,875
Other long term liability	21	**18,404**	–
Total non-current liabilities		**804,906**	780,984
NET ASSETS		**800,567**	460,788
EQUITY			
Equity attributable to owners of the parent			
Share capital	23	**46,292**	–
Reserves	24	**754,275**	460,788
Total equity		**800,567**	460,788

Mr. Liu Laixiang
Director

Mr. Wang Yunfu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 AUGUST 2020

	Attributable to owners of the parent					
	Share capital RMB'000 Note 23	Capital reserve RMB'000 Note 24(a)	Statutory surplus reserve RMB'000 Note 24(b)	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
At 1 September 2018	–	76,000	89,310	225,267	–	390,577
Profit and total comprehensive income for the year	–	–	–	70,211	–	70,211
Transfer from retained profits	–	–	17,659	(17,659)	–	–
At 31 August 2019	–	76,000*	106,969*	277,819*	–*	460,788
At 1 September 2019	–	76,000	106,969	277,819	–	460,788
Profit for the year	–	–	–	42,359	–	42,359
Other comprehensive income for the year:						
Exchange differences on translation of financial statements	–	–	–	–	(2,649)	(2,649)
Total comprehensive income for the year	–	–	–	42,359	(2,649)	39,710
Capitalisation issue of shares	34,719	(34,719)	–	–	–	–
Issue of shares for the Initial Public Offering ("IPO")	11,573	301,917	–	–	–	313,490
Share issue expenses	–	(21,191)	–	–	–	(21,191)
Demerger of a non-listing business (note 11)	–	(36,000)	–	43,770	–	7,770
Transfer from retained profits	–	–	17,590	(17,590)	–	–
At 31 August 2020	46,292	286,007*	124,559*	346,358*	(2,649)*	800,567

* These reserve accounts comprise the consolidated reserves of RMB754,275,000 in the consolidated statement of financial position as at 31 August 2020 (2019: RMB460,788,000).

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		43,836	70,357
From a discontinued operation	11	2,824	385
Adjustments for:			
Finance costs	7	3,229	–
Bank interest income	5	(191)	(473)
Loss on disposal of items of property, plant and equipment, net		–	16
Depreciation of property, plant and equipment		25,322	18,998
Depreciation of right-of-use assets	15	483	483
Amortisation of other intangible assets	16	1,142	468
Provision for expected credit losses on trade receivables		79	47
Provision for expected credit losses on other receivables		10	31
Reversal of impairment of trade receivables		–	(342)
Reversal of impairment of other receivables		(10)	(13)
		76,724	89,957
Decrease in inventories		7,010	7,349
(Increase)/decrease in trade receivables		(41)	683
Increase in prepayments, other receivables and other assets		(31,149)	(515)
Decrease in restricted bank deposits		80	125
Decrease in trade payables		(129)	(1,118)
Increase in other payables and accruals		10,530	7,631
(Decrease)/Increase in contract liabilities		(27,068)	32,947
Cash generated from operations		35,957	137,059
Interest received		191	473
Tax paid		(4,301)	(531)
Net cash flows from operating activities		31,847	137,001

continued/...

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 AUGUST 2020

	Notes	2020 RMB'000	2019 RMB'000
Net cash flows from operating activities		31,847	137,001
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in prepayments for purchase of property, plant and equipment		(14,188)	(23,460)
Purchases of items of property, plant and equipment		(140,120)	(107,067)
Additions to other intangible assets	16	(3,088)	(1,127)
Demerger of a non-listing business	11	(1,242)	–
Net cash flows used in investing activities		(158,638)	(131,654)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		313,490	–
Share issue expenses		(20,998)	–
New bank loans and other borrowings		113,579	30,000
Repayment of bank and other borrowings		(195,051)	(49,000)
Interest paid		(17,180)	(13,489)
Interest element of sale and leaseback liabilities		(12,541)	–
Principal portion of sale and leaseback liabilities		156,623	70,775
Payment for other non-current assets		(1,200)	(3,000)
Repayment to shareholders	28(b)	(2,800)	(13,150)
Advance from a related party	28(b)	7,150	22,133
Repayment to a related party	28(b)	(15,312)	(25,223)
Net cash flows from financing activities		325,760	19,046
NET INCREASE IN CASH AND CASH EQUIVALENTS		198,969	24,393
Cash and cash equivalents at beginning of year		141,234	116,841
Effect of foreign exchange rate changes, net		(2,649)	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		337,554	141,234
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	337,554	139,932
Cash and cash equivalents as stated in the consolidated statement of financial position		337,554	139,932
Cash and cash equivalents attributable to a discontinued operation	11	–	1,302
Cash and cash equivalents as stated in the statement of cash flows		337,554	141,234

1. CORPORATE AND GROUP INFORMATION

Leader Education Limited (the "Company") was incorporated in the Cayman Islands on 17 June 2019 as an exempted company with limited liability under the laws of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

In the opinion of the directors, the holding company and the ultimate holding company of the Company are Shuren Education Limited and Junhua Education Limited, respectively, which were incorporated in the British Virgin Islands.

Information about subsidiaries

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

Entity name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Leader Education Limited 立德教育有限公司 ("Leader BVI")	British Virgin Islands 18 June 2019	US$500	100	–	Investment holding
Leader Education LLC 立德教育有限公司 ("Leader US")	United States 15 October 2019	–	–	100	Provision of private higher education services
Leader Education (HK) Limited 立德教育(香港)有限公司 (previously known as Leader Education Limited 立德教育有限公司) ("Leader HK")	Hong Kong 12 July 2019	HK$1	–	100	Investment holding
Heilongjiang Liankang Business Information Consulting Limited 黑龍江聯康商務信息諮詢有限公司*& ("Liankang Consulting")	PRC/Mainland China 8 August 2019	US$12,000,000	–	100	Provision of technical and management consultancy services

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Entity name	Place and date of incorporation/ establishment and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company Direct %	Indirect %	Principal activities
Beijing Junhua Business Information Consulting Limited 北京峻華商務信息諮詢有限公司*& ("Junhua Consulting")	PRC/Mainland China 8 July 2020	US$10,000,000	–	100	Provision of education and management consultancy services
Harbin Xiangge Enterprise Management Limited** 哈爾濱祥閣企業管理有限公司*# ("Harbin Xiangge")	PRC/Mainland China 7 February 2007	RMB40,000,000**	–	100	Provision of enterprise business consultancy services and investment in the education industry**
Heilongjiang College of Business and Technology 黑龍江工商學院*# ("Heilongjiang College")	PRC/Mainland China 16 October 2003	RMB183,300,000	–	100	Provision of private higher education services

Notes:

These entities are owned through contractual arrangements.

* The English names of these companies or a school established in the PRC represent the best effort made by the management of the Company to directly translate the Chinese names as they did not register any official English names.

& Except for Liankang Consulting and Junhua Consulting, which were established as wholly-foreign-invested enterprises, all the above PRC companies were established as domestic-invested enterprises.

** As further explained in note 11, Harbin Xiangge underwent a demerger in August 2019 to dispose of the property development business of the Group and the demerger was completed in January 2020. As a result of the demerger, Harbin Xiangge continued to hold Heilongjiang College, which forms the principal business of the Group, and Harbin Xiangzhen Yincheng Zhiye Limited (哈爾濱祥振引城置業有限公司) ("Yincheng Zhiye") was established to hold the property development business then held by Harbin Xiangge. Immediately after the demerger, the total registered capital of Harbin Xiangge was reduced to RMB40 million.

2.1 BASIS OF PREPARATION

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

All IFRSs effective for the accounting period commencing from 1 January 2019, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers* and IFRS 16 *Leases*, together with the relevant transitional provisions, have been consistently applied to the Group's consolidated financial statements for the track record period from 1 September 2016 to 29 February 2020 in connection with the initial public offering of the Company and for the year ended 31 August 2020.

These financial statements have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 August 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

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

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendment to IFRS 16	*Covid-19-Related Rent Concessions* [2]
Amendments to IFRS 3	*Definition of a Business* [1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform* [1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [6]
IFRS 17	*Insurance Contracts* [5]
Interest Rate Benchmark Reform – Phase 2	*Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16* [3]
Amendments to IFRS 3	*Reference to the Conceptual Framework* [4]
Amendments to IAS 16	*Property, Plant, and Equipment: Proceeds before Intended Use* [4]
Amendments to IFRS 17	*Insurance Contracts* [5]
Amendments to IFRS 37	*Onerous Contracts – Cost of Fulfill a Contract* [3]
Amendments to IFRS 4	*Extension of the Temporary Exemption from Applying IFRS 9* [5]
Amendments to IAS 1 and IAS 8	*Definition of Material* [1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* [5]
Annual improvements to IFRS 2018-2020	*Amendments to IFRS 1, IFRS 9, IAS 41* [4]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 June 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for annual periods beginning on or after 1 January 2022
5 Effective for annual periods beginning on or after 1 January 2023
6 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs *(Continued)*

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

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 September 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs *(Continued)*

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 September 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in consolidated profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale or distribution, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement

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

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

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Buildings	1.90%-3.17%
Devices and equipment	11.88%
Motor vehicles	9.50%
Furniture, fixtures and others	9.50%

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Construction in progress represents buildings under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

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

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on a straight-line basis over its estimated useful life of 3 years. The useful life of the computer software is assessed by the Group considering the purposes and usage of the software.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	40-50 years

(b) Lease liabilities

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee (Continued)

(b) Lease liabilities *(Continued)*

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

Sale and leaseback transaction – the Group as seller-lessee

The Group applies the requirements in IFRS 15 to determine whether the transfer of an asset under a sale and leaseback arrangement is accounted for as a sale of that asset. If the transfer of an asset by the Group under a sale and leaseback arrangement does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the Group continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds which is presented as interest-bearing bank and other borrowings and interest accruals in the consolidated statement of financial position.

Group as a lessor

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Financial assets at amortised cost (debt instruments)

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Simplified approach

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

For trade receivables that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, and payables.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, payables for purchase of property, plant and equipment, interest-bearing bank and other borrowings and interest accruals, amounts due to shareholders, an amount due to a related party and other long term liability.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Financial liabilities at amortised cost (loans and borrowings) (Continued)

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless they will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Completed properties held for sale

Completed properties held for sale are stated in the consolidated statement of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Cash and cash equivalents

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

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

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

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

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

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

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised to depict the transfer of services promised to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach in revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers (Continued)

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the services underlying the particular performance obligation is transferred to customers.

If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services. The Group recognises revenue when the specific criteria have been met for the following activities:

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

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

Other income

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Contract liabilities

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

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Structured contracts

The Group conducts the private higher education business through Harbin Xiangge and Heilongjiang College (collectively, the "PRC Operating Entities") in the PRC as PRC laws and regulations generally restrict foreign ownership in the private education industry in the PRC.

The Group exercises control over the PRC Operating Entities and enjoys all the economic benefits of the PRC Operating Entities through the Structured contracts.

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

Current and deferred taxes

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

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

Estimation uncertainty

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

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of the year. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit using key assumptions such as budgeted sales amounts and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as the expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed as at the end of each year. Further details of the property, plant and equipment are set out in note 14 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance.

No operating segment information of the continuing operations is presented as more than 90% of the Group's revenue and reported results from the continuing operations during each of the years ended 31 August 2019 and 2020, and more than 90% of the Group's total assets attributable to the continuing operations as at the end of each of these years were derived from one single operating segment, i.e., the provision of private higher education services.

The information reported to the directors, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about operating segments is presented.

Geographical information

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

Information about major customers

No revenue derived from services provided to a single customer accounted for 10% or more of the total revenue of the Group during the year.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers		
Tuition fees	**149,741**	127,899
Boarding fees	**6,359**	10,313
	156,100	138,212
Other income and gains		
Bank interest income	**191**	473
Rental income:		
Fixed lease payments:	**822**	675
Government grants – related to income	**64**	51
Others	**105**	23
	1,182	1,222

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020 RMB'000	2019 RMB'000
Timing of revenue recognition		
Tuition fees recognised over time	**149,741**	127,899
Boarding fees recognised over time	**6,359**	10,313
	156,100	138,212

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

(ii) The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting year:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting year:		
Tuition fees	**120,028**	89,847
Boarding fees	**3,040**	6,403
Transfer to refund liabilities	**6,129**	–
	129,197	96,250

No revenue recognised during the year related to performance obligations that were satisfied in prior years.

(iii) Transaction price allocated to the remaining performance obligations for contracts with customers

The contracts for education and boarding services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. PROFIT BEFORE TAX

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

	Notes	2020 RMB'000	2019 RMB'000
Depreciation of property, plant and equipment		25,320	18,977
Amortisation of other intangible assets*	16	1,142	468
Depreciation of right-of-use assets	15	483	483
Auditor's remuneration		800	–
Listing expenses		26,868	581
Central heating cost		5,102	4,936
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries		29,370	23,976
Pension scheme contributions (defined contribution schemes)		5,792	5,375
		35,162	29,351
Foreign exchange differences, net**		235	–
Government grants – related to income***/****		(64)	(51)
Bank interest income****		(191)	(473)

* Amortisation was included in "Cost of sales" and "Administrative expenses" in profit or loss during the years ended 31 August 2019 and 2020.

** The exchange loss is included in "Other expenses, net".

*** There are no unfulfilled conditions or other contingencies attaching to the government grants that have been recognised.

**** Included in "Other income and gains" in profit or loss.

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2020 RMB'000	2019 RMB'000
Interest on bank loans and other borrowings	30,677	30,965
Interest on sale and leaseback liabilities	14,338	2,032
Subtotal	45,015	32,997
Interest capitalised (note 14(b))	(41,786)	(32,997)
	3,229	–
Interest rate/capitalisation rate of borrowing costs capitalised	4.00% to 11.39%	4.00% to 11.36%

8. DIRECTORS' REMUNERATION

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

	2020 RMB'000	2019 RMB'000
Fees	126	–
Other emoluments:		
Salaries, allowances and benefits in kind	902	786
Pension scheme contributions	15	19
	917	805
	1,043	805

8. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

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

	2020 RMB'000	2019 RMB'000
Mr. Zhang Su	6	–
Mr. Cao Shaoshan	8	–
Mr. Chan Ngai Fan	7	–
	21	–

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

(b) Executive directors and the chief executive

2020	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Mr. Liu Laixiang (the chief executive)	81	107	–	188
Ms. Dong Ling	19	104	–	123
Mr. Che Wenge	–	428	–	428
Mr. Wang Yunfu	5	263	15	283
	105	902	15	1,022

8. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and the chief executive *(Continued)*

2019	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Mr. Liu Laixiang (the chief executive)	–	102	–	102
Ms. Dong Ling	–	56	–	56
Mr. Che Wenge	–	425	–	425
Mr. Wang Yunfu	–	203	19	222
	–	786	19	805

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year ended 31 August 2020 include two (2019: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2019: three) highest paid employees who are neither a director nor chief executive of the Group, are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	**879**	671
Pension scheme contributions	**–**	19
	879	690

The remuneration of the non-director and non-chief executive highest paid employees fell within the following band:

	Number of employees	
	2020	2019
Nil to HK$1,000,000	**3**	3

During the year, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. INCOME TAX

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

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

Leader HK, which was incorporated in Hong Kong, was subject to profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. In accordance with the tax compliance confirmations obtained from local tax authorities, Heilongjiang College as a school whose sponsor does not require reasonable returns did not pay corporate income tax for the income from the provision of formal educational services and has enjoyed the preferential tax treatment for the year ended 31 August 2020. As a result, no income tax expense was recognised by Heilongjiang College for the income from the provision of formal educational services during the year.

Pursuant to the PRC Corporate Income Tax Law and the respective regulations, except for Heilongjiang College, and the preferential rate of 20% under the Notice Regarding the Implementation on Tax Reduction/Exemption Policies for Small and Micro-sized Enterprises (SEMs) available to Heilongjiang Liankang Business Information Consulting Limited and Beijing Junhua Business Information Consulting Limited, other companies of the Group which operate in Mainland China are subject to Corporate Income Tax (“CIT”) at a rate of 25% on their respective taxable income.

PRC land appreciation tax (“LAT”) is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

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

10. INCOME TAX *(Continued)*

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

	2020 RMB'000	2019 RMB'000
Current income tax – Mainland China	–	–
Total tax charge for the year from continuing operations	–	–
Total tax charge for the year from a discontinued operation:		
PRC LAT	4,301	531
Total	4,301	531

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2020 RMB'000	2019 RMB'000
Profit before tax from continuing operations	43,836	70,357
Profit before tax from a discontinued operation	2,824	385
Profit before tax	46,660	70,742
Tax at the statutory tax rates	15,607	17,686
Income not subject to tax	(17,955)	(18,108)
Expenses not deductible for tax	365	449
Tax losses not recognised	3,058	106
Provision for LAT	4,301	531
Tax effect of LAT	(1,075)	(133)
Tax charge at the Group's effective rate	4,301	531
Tax charge from continuing operations at the effective rate	–	–
Tax charge from a discontinued operation at the effective rate	4,301	531

10. INCOME TAX *(Continued)*

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

As at 31 August 2019 and 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's earnings will be retained in Mainland China, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 31 August 2019 and 2020, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB320,907,000 and RMB373,677,000, respectively.

As at 31 August 2019 and 2020, the Group had tax losses arising in Mainland China of RMB23,315,000 and RMB11,864,000, respectively, which will expire in one to five years for offsetting against future taxable profits. The Group also had tax losses arising in Hong Kong of RMB26,000 (2019: Nil), which are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. DISCONTINUED OPERATION

Harbin Xiangge underwent a demerger in August 2019 to dispose of the property development business of the Group and the demerger was completed in January 2020. As a result of the demerger, Harbin Xiangge continued to hold Heilongjiang College, which forms the principal business of the Group, and Yincheng Zhiye was established to hold the property development business then held by Harbin Xiangge. Immediately after the demerger, the total registered capital of Harbin Xiangge was reduced to RMB40 million, and all Harbin Xiangge's assets and liabilities, including all equity interests in Harbin Junfengda Property Development Limited (哈爾濱竣峰達房地產開發有限公司) ("Junfengda Property") and Harbin City Xinyuetong Micro-lending Limited (哈爾濱市鑫閱通小額貸款有限責任公司) ("Xinyuetong Micro-lending"), except for the assets and liabilities related to Heilongjiang College and all the school sponsor's interests therein (collectively the "Disposal Group"), were disposed of and transferred to Yincheng Zhiye by way of demerger.

As at 31 August 2019, the resolution for the demerger was authorised by shareholders and the demerger had not been completed. Accordingly, the assets and liabilities of the Disposal Group were reclassified as assets of a disposal group classified as held for distribution on demerger and liabilities directly associated with the assets classified as held for distribution on demerger, respectively. The property development business undertaken by the Disposal Group was discontinued upon the authorisation of the demerger.

11. DISCONTINUED OPERATION *(Continued)*

The operating results of the Disposal Group for each year are presented below:

	2020 RMB'000	2019 RMB'000
Revenue	10,422	8,932
Other income and gains	6	9
Cost of sales	(7,039)	(7,422)
Expenses	(486)	(857)
Write-back of impairment losses, net	(79)	(277)
Profit before tax from the discontinued operation	2,824	385
Income tax: LAT	(4,301)	(531)
Loss for the year from the discontinued operation	(1,477)	(146)

The major classes of assets and liabilities of the Disposal Group classified as held for distribution on demerger as at 31 August 2019 are as follows:

	As at 31 August 2019 RMB'000
Assets	
Property, plant and equipment	52
Investment in an associate	–
Other non-current assets	10,000
Inventories	23,526
Trade receivables	122
Prepayments, other receivables and other assets	6,363
Restricted bank deposits	5,430
Cash and cash equivalents	1,302
Assets of a disposal group classified as held for distribution on demerger	46,795
Liabilities	
Trade payables	7,450
Other payables and accruals	856
Amounts due to shareholders	13,183
Amount due to a related party	31,599
Liabilities directly associated with the assets classified as held for distribution on demerger	53,088
Net liabilities directly associated with the Disposal Group	(6,293)

11. DISCONTINUED OPERATION *(Continued)*

As at 31 August 2019, the Group's inventories included in the Disposal Group with a carrying amount of RMB15,673,000 were pledged as security for the Group's bank and other borrowings, as further detailed in note 22 to the financial statements.

The net cash flows incurred by the Disposal Group are as follows:

	2020 RMB'000	2019 RMB'000
Operating activities	4,996	2,497
Investing activities	–	(5)
Financing activities	(4,917)	(3,090)
Net cash inflow/(outflow)	79	(598)

The demerger was completed on 20 January 2020 and the net liabilities disposed of are as follows:

	As at 20 January 2020 RMB'000
Property, plant and equipment	50
Investment in an associate	–
Other non-current assets	10,000
Inventories	16,516
Trade receivables	84
Prepayments, other receivables and other assets	7,674
Restricted bank deposits	5,350
Cash and cash equivalents	1,242
Trade payables	(7,321)
Other payables and accruals	(1,500)
Amounts due to shareholders	(13,183)
Amount due to a related party	(26,682)
Reserves	(7,770)
Satisfied by:	
Cash	–

11. DISCONTINUED OPERATION *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the demerger is as follows:

	2020
	RMB'000
Cash consideration	–
Cash and cash equivalents disposed of	(1,242)
Net outflow of cash and cash equivalents in respect of the demerger	(1,242)

12. DIVIDENDS

No dividend has been paid or declared by the Company in the current year (2019: nil).

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

The calculation of the basic earnings per share is based on the profit for the year attributable to owners of the parent, and the weighted average number of ordinary shares of 511,872,170 (2019: 499,999,794) in issue during the year, as adjusted for the assumption that 499,999,750 new shares issued pursuant to the Capitalisation Issue (as defined below) had been issued on 1 September 2018, which is made to be consistent with the basis of presentation of the financial statements for the year ended 31 August 2019.

On 6 August 2020, the Company was listed on the Main Board of the Stock Exchange (the "Listing") by way of issuing 166,667,000 new ordinary shares and capitalisation issue of 499,999,750 ordinary shares (the "Capitalisation Issue") (note 23).

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 August 2020 and 2019.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

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

	2020 RMB'000	2019 RMB'000
Earnings		
Profit attributable to owners of the parent, used in the basic and diluted earnings per share calculations:		
From continuing operations	43,836	70,357
From a discontinued operation	(1,477)	(146)
	42,359	70,211

	Number of shares	
	2020	2019
Shares		
Issue of shares on 29 June 2019	250	44
Effect of Capitalisation Issue on 6 August 2020	499,999,750	499,999,750
Effect of global offering on 6 August 2020	11,872,170	–
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	511,872,170	499,999,794
Effect of dilution – weighted average number of ordinary shares	–	–
	511,872,170	499,999,794

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Devices and equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 August 2020						
At 1 September 2019:						
Cost	616,072	28,637	4,536	38,750	804,919	1,492,914
Accumulated depreciation	(91,315)	(20,367)	(2,460)	(27,292)	–	(141,434)
Net carrying amount	524,757	8,270	2,076	11,458	804,919	1,351,480
At 1 September 2019, net of accumulated depreciation	524,757	8,270	2,076	11,458	804,919	1,351,480
Additions	1,813	14,925	273	11,597	96,604	125,212
Depreciation provided during the year	(18,275)	(3,321)	(411)	(3,313)	–	(25,320)
Transfers	413,754	–	–	935	(414,689)	–
At 31 August 2020, net of accumulated depreciation	922,049	19,874	1,938	20,677	486,834	1,451,372
At 31 August 2020:						
Cost	1,031,639	43,562	4,809	51,282	486,834	1,618,126
Accumulated depreciation	(109,590)	(23,688)	(2,871)	(30,605)	–	(166,754)
Net carrying amount	922,049	19,874	1,938	20,677	486,834	1,451,372

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Devices and equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
31 August 2019						
At 1 September 2018:						
Cost	615,924	27,134	4,238	36,118	573,742	1,257,156
Accumulated depreciation	(77,655)	(18,102)	(2,490)	(25,293)	–	(123,540)
Net carrying amount	538,269	9,032	1,748	10,825	573,742	1,133,616
At 1 September 2018, net of accumulated depreciation	538,269	9,032	1,748	10,825	573,742	1,133,616
Additions	148	1,678	722	3,205	231,177	236,930
Disposals	–	–	(16)	–	–	(16)
Assets included in a discontinued operation (note 11)	–	(10)	(7)	(35)	–	(52)
Depreciation provided during the year	(13,660)	(2,430)	(371)	(2,537)	–	(18,998)
At 31 August 2019, net of accumulated depreciation	524,757	8,270	2,076	11,458	804,919	1,351,480
At 31 August 2019:						
Cost	616,072	28,637	4,536	38,750	804,919	1,492,914
Accumulated depreciation	(91,315)	(20,367)	(2,460)	(27,292)	–	(141,434)
Net carrying amount	524,757	8,270	2,076	11,458	804,919	1,351,480

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group's buildings are situated in Mainland China.

(a) As at 31 August 2020, the Group was in the customary process of obtaining the relevant property ownership certificates for certain buildings with an aggregate net carrying amounts of approximately RMB40,976,000 (2019: RMB7,676,000). As at the end of year, the directors were still in the process of obtaining these certificates.

(b) Additions to construction in progress during the current year included interest capitalised amounting to RMB41,786,000 for the year ended 31 August 2020 (2019: RMB32,997,000) in respect of specific bank and other borrowings (note 7).

(c) The net carrying amount of the Group's fixed assets held under sale and leaseback liabilities included in the total amounts of devices and equipment and furniture, fixtures and others was RMB168,460,000 as at 31 August 2020 (2019: RMB19,855,000).

15. LEASES

The Group as a lessee

Lump sum payments were made upfront to acquire the leased land from the government with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases.

(a) Right-of-use assets

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

	2020 RMB'000	2019 RMB'000
Carrying amount at beginning of the year	**16,464**	16,947
Recognised in profit or loss during the year	**(483)**	(483)
Carrying amount at end of the year	**15,981**	16,464

The Group's land use rights are either purchased from or allocated by the government. For the purchased land use rights, the amounts are amortised on a straight-line basis over the lease terms as stated in the relevant land use right certificates. For the land use right allocated by the government, there is no definite life of use stated in the relevant land use right certificates. The estimated useful life is 50 years which is the best estimate based on the normal terms in the PRC. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or mortgage such land use right allocated by the government.

15. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(a) Right-of-use assets (Continued)

At 31 August 2019, the Group's right-of-use assets with a carrying amount of RMB9,328,000 were pledged as security for the Group's bank loans, as further detailed in note 22 to the financial statements.

A parcel of the Group's land was valued at RMB24,000,000 as at 31 May 2020 in the prospectus issued on 27 July 2020 in connection with the Listing of the Company's shares on 6 August 2020. Had the Group's land been included in these financial statements at such valuation amount throughout the year ended 31 August 2020, an additional depreciation charge of RMB319,000 would have been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 August 2020.

(b) The amounts recognised in profit or loss in relation to leases are as follows:

	2020	2019
	RMB'000	RMB'000
Depreciation charge of right-of-use assets	**483**	483

The Group as a lessor

The Group leases certain of its building units under operating lease arrangements. Leases for buildings were negotiated for terms of one to five years. Rental income recognised by the Group during the year was RMB822,000 (2019: RMB675,000), details of which are included in note 5 to the financial statements.

As 31 August 2019 and 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020	2019
	RMB'000	RMB'000
Within one year	**935**	387
After one year but within two years	**584**	385
After two years but within three years	**158**	177
After three years but within four years	**118**	150
In the fifth year	**–**	113
	1,795	1,212

16. OTHER INTANGIBLE ASSETS

	Computer software RMB'000
31 August 2020	
Cost at 1 September 2019, net of accumulated amortisation	**1,089**
Additions	**3,088**
Amortisation provided during the year (note 6)	**(1,142)**
At 31 August 2020	**3,035**
At 31 August 2020:	
Cost	**11,283**
Accumulated amortisation	**(8,248)**
Net carrying amount	**3,035**

	Computer software RMB'000
31 August 2019	
Cost at 1 September 2018, net of accumulated amortisation	430
Additions	1,127
Amortisation provided during the year (note 6)	(468)
At 31 August 2019	1,089
At 31 August 2019:	
Cost	8,195
Accumulated amortisation	(7,106)
Net carrying amount	1,089

17. OTHER NON-CURRENT ASSETS

	2020 RMB'000	2019 RMB'000
Performance deposits paid to secure:		
Long term sale and leaseback liabilities	**4,200**	3,000

The other non-current assets included in the Disposal Group (note 11) as at 31 August 2019 amounted to RMB10,000,000 represent the performance deposits paid to a third party company which provided guarantees to secure the long term bank loans.

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'000	2019 RMB'000
Prepaid listing expenses	**–**	1,572
Prepayments to suppliers	**4,569**	–
Rental receivables	**55**	255
Staff advances	**1,014**	815
Deposits and other receivables	**29,254**	2,605
	34,892	5,247
Impairment allowance	**–**	–
	34,892	5,247

These financial assets included in the above balances relating to receivables for which there was no recent history of default and which were neither past due nor impaired were categorised in stage 1 for measurement of ECLs at the end of the reporting period. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the current year, the Group estimated the expected loss rate for the other receivables is minimal (2019: minimal).

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

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(Continued)*

The movements in the provision for impairment of deposits and other receivables are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of year	–	40
Impairment losses recognised	–	18
Transferred to assets classified as held for distribution on demerger	–	(58)
	–	–

The individually impaired other receivables relate to counterparties that were in financial difficulties or were in default in payments and no receivable is expected to be recovered.

19. CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Cash and bank balances	337,554	139,932
Cash and cash equivalents denominated in:		
– RMB	93,527	139,932
– Hong Kong dollars (HK$)	220,545	–
– United States dollars (US$)	23,482	–

As at 31 August 2020, the Group's cash and cash equivalents denominated in RMB amounted to RMB93,527,000 (2019: RMB139,932,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligations as at 31 August 2020, and will be expected to be recognised within one year:

	2020 RMB'000	2019 RMB'000
Tuition fees	94,682	120,028
Boarding fees	7,447	9,169
	102,129	129,197

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

21. OTHER PAYABLES AND ACCRUALS

	2020 RMB'000	2019 RMB'000
Payables for purchase of property, plant and equipment	76,565	146,825
Payables for co-operation costs	26,404	36,022
Miscellaneous expenses received from students (note (i))	13,013	13,547
Payables for salaries and welfares	4,928	2,129
Payables for labour union expenditure	1,533	1,285
Payables for central heating cost	2,032	1,940
Payables for listing fee	13,689	–
Other tax payable	24	60
Refund liabilities	1,358	–
Other payables	8,058	6,170
	147,604	207,978
Current portion	68,158	94,103
Non-current portion:		
Payables for purchase of property, plant and equipment	61,042	113,875
Payables for co-operation costs included in other long term liability	18,404	–

The above balances are unsecured and non-interest-bearing.

Note:

(i) The amounts represent the miscellaneous expenses received from students which will be paid out on behalf of students.

22. INTEREST-BEARING BANK AND OTHER BORROWINGS AND INTEREST ACCRUALS

	2020			2019		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Sale and leaseback liabilities	8.19-11.39	2021	38,718	8.92 – 11.36	2020	18,265
Bank loans – secured	4.35	2021	30,000	–	–	–
Current portion of long term bank loans – secured	5.15	2021	11,741	5.15 – 6.65	2020	29,375
Other borrowings – secured	7.80-14.09	2021	14,897	7.50 – 7.80	2019-2020	15,622
			95,356			63,262
Non-current						
Sale and leaseback liabilities	8.19-11.39	2022-2025	192,509	8.92 – 11.36	2021-2024	54,542
Bank loans – secured	5.15	2021-2025	61,000	5.15 – 6.65	2021-2025	127,000
Other borrowing – unsecured	4.00	2024	456,951	4.00	2024	460,567
Other borrowings – secured	7.80	2021	15,000	7.80	2020-2021	25,000
			725,460			667,109
			820,816			730,371

22. INTEREST-BEARING BANK AND OTHER BORROWINGS AND INTEREST ACCRUALS *(Continued)*

	2020 RMB'000	2019 RMB'000
Analysed into:		
Sale and leaseback liabilities:		
Within one year	**38,718**	18,265
In the second year	**77,657**	18,631
In the third to fifth years, inclusive	**114,852**	35,911
	231,227	72,807
Bank loans repayable:		
Within one year	**41,741**	29,375
In the second year	**11,000**	60,000
In the third to fifth years, inclusive	**50,000**	43,000
Beyond five years	**–**	24,000
	102,741	156,375
Other borrowings repayable:		
Within one year	**14,897**	15,622
In the second year	**15,000**	10,000
In the third to fifth years, inclusive	**456,951**	15,000
Beyond five years	**–**	460,567
	486,848	501,189
	820,816	730,371

22. INTEREST-BEARING BANK AND OTHER BORROWINGS AND INTEREST ACCRUALS *(Continued)*

Notes:

Certain of the Group's bank and other borrowings and interest accruals are secured by:

(a) Pledges over the following assets:

The Group's assets:

(i) Pledge over the Group's right-of-use assets situated in Mainland China, which had an aggregate carrying value of RMB9,328,000 for bank loans and interest accruals of RMB33,356,000 as at 31 August 2019 and nil as at 31 August 2020; and

(ii) Pledge over the Group's inventories included in the Disposal Group, which had an aggregate carrying value of RMB15,673,000 for bank and other borrowings and interest accruals of RMB73,978,000 as at 31 August 2019 and nil as at 31 August 2020.

Properties which belong to the following related parties pledged for bank and other borrowings and interest accruals of:

	2020 RMB'000	2019 RMB'000
Mr. Liu Laixiang and Ms. Dong Ling	–	48,608
Yincheng Zhiye	22,369	–
	22,369	48,608

Time deposits amounting to RMB10,000,000 which belong to the following third party pledged for bank loans and interest accruals of:

	2020 RMB'000	2019 RMB'000
Zhonghong United Financing Guarantee Limited ("Zhonghong United Financing") 中鴻聯合融資擔保有限公司	72,741	82,844

(b) Pledge of a 100% equity interest of Harbin Xiangge for bank loans and interest accruals of RMB20,266,000 and nil as at 31 August 2019 and 2020, respectively. Pledge of a 100% equity interest of Liankang Consulting for other loans and interest accruals of RMB7,528,000 as at 31 August 2020.

(c) Pledge of rights over tuition fees and boarding fees of Heilongjiang College for bank loans and interest accruals of RMB33,356,000 and nil as at 31 August 2019 and 2020, respectively.

22. INTEREST-BEARING BANK AND OTHER BORROWINGS AND INTEREST ACCRUALS *(Continued)*

Notes: *(Continued)*

Certain of the Group's bank and other borrowings and interest accruals are guaranteed by:

(a) The following related parties:

	2020 RMB'000	2019 RMB'000
Jointly, Mr. Liu Laixiang and Ms. Dong Ling	–	234,678
Jointly, Mr. Che Wenge and Heilongjiang Huizhi Jinhe Software Engineering Company Limited ("Huizhi Jinhe Software") 黑龍江匯智金合軟件工程股份有限公司	–	20,266
Jointly, Mr. Che Wenge and Mr. Wang Yunfu	22,369	30,468
Yincheng Zhiye	57,620	–
Junfengda Property	63,530	–
	143,519	285,412

(b) The following third parties:

	2020 RMB'000	2019 RMB'000
Zhonghong United Financing	72,741	82,844
Harbin Jutufeng Agriculture Technology Company Limited 哈爾濱聚土豐農業科技有限公司	–	20,266
	72,741	103,110

Except for the 14.09% secured other borrowings which are denominated in United States dollars, all borrowings are in RMB.

The Group's other borrowing are unsecured, bear interest at a rate of 4.00% (2019: 4.00%) and will be repayable in 2024.

23. SHARE CAPITAL

Shares

	2020 RMB'000	2019 RMB'000
Authorised:		
1,000,000,000 ordinary shares of US$0.01 each as at 31 August 2020 (2019: 5,000,000 ordinary shares)	69,714	345
Issued and fully paid:		
666,667,000 ordinary shares as at 31 August 2020 (2019: 250 ordinary shares)	46,292	–

On 22 July 2020, Pursuant to a written resolution of the shareholders of the Company, the authorised share capital of the Company was increased from US$50,000 divided into 5,000,000 shares of US$0.01 each to US$10,000,000 divided into 1,000,000,000 shares of US$0.01 each.

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

	Note	Number of shares in issue	Share capital RMB'000
Before the Capitalisation Issue		250	–
Capitalisation Issue	(a)	499,999,750	34,719
Global offering	(b)	166,667,000	11,573
At 31 August 2020		666,667,000	46,292

(a) 499,999,750 shares were allotted and issued to the shareholders of the Company, credited as fully paid at par value, immediately preceding the listing date on 6 August 2020 to the shareholders by way of capitalisation of the sum of US$4,999,997.50 (approximately RMB34,719,000) standing to the credit of the capital reserve account of the Company;

(b) On 6 August 2020, the Company was listed on the Main Board of the Stock Exchange with stock code 1449 and made an offering of 166,667,000 ordinary shares at a price of HK$2.1 per share.

24. RESERVES

(a) Capital reserve

The capital reserve of the Group represents the capital contribution premium from its then shareholders.

(b) Statutory surplus reserve

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

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

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

25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

Prepayments for purchases of property, plant and equipment of RMB13,566,000 were transferred to property, plant and equipment for the year (2019: RMB7,265,000).

(b) Changes in liabilities arising from financing activities

2020

	Interest-bearing bank and other borrowings and interest accruals RMB'000	Amounts due to shareholders RMB'000	Amount due to a related party RMB'000
As at 1 September 2019	730,371	2,800	3,245
Changes from financing cash flows	45,430	(2,800)	(3,245)
Interest accretion	45,015	–	–
As at 31 August 2020	820,816	–	–

2019

	Interest-bearing bank and other borrowings and interest accruals RMB'000	Amounts due to shareholders RMB'000	Amount due to a related party RMB'000
As at 1 September 2018	659,088	29,133	37,934
Changes from financing cash flows	38,286	(13,150)	(3,090)
Interest accretion	32,997	–	–
Included in a disposal group (note 11)	–	(13,183)	(31,599)
As at 31 August 2019	730,371	2,800	3,245

26. CONTINGENT LIABILITIES

At the end of each year, contingent liabilities not provided for in the financial statements were as follows:

	2020 RMB'000	2019 RMB'000
Guarantees given to banks in connection with facilities granted to purchasers of the Group's properties	–	16,406

The Group provided guarantees in respect of mortgage facilities granted by certain banks to the purchasers of the Group's completed properties held for sale. Pursuant to the terms of the guarantee arrangements, in the case of default on mortgage payments by the purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interest and penalties owed by the defaulted purchasers to those banks.

Under the above arrangement, the related properties were pledged to the banks as collateral for the mortgage loans. Upon default on mortgage repayments by these purchasers, the banks are entitled to take over the legal titles and will realise the pledged properties through open auction.

The Group's obligation in relation to such guarantees has been gradually relinquished along with the settlement of the mortgage loans granted by the banks to the end-buyers. Such obligation will also be relinquished when the property ownership certificates for the relevant properties are issued and/or the end-buyers have fully repaid the mortgage loans.

The Group did not incur any material losses during the year in respect of the guarantees provided for mortgage facilities granted to purchasers of the Group's completed properties held for sale. The directors of the Company considered that in the case of default on payments, the net realisable value of the related properties would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore the initial fair value is assessed to be immaterial and no further subsequent provision has been made in connection with the guarantees.

27. COMMITMENTS

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for:		
Buildings	7,971	29,027

28. RELATED PARTY TRANSACTIONS AND BALANCES

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

(a) Names and relationships of related parties

Name	Relationship
Ms. Dong Ling 董玲	One of the controlling shareholders
Mr. Liu Laixiang 劉來祥	One of the controlling shareholders
Mr. Che Wenge 車文閣	One of the directors
Mr. Wang Yunfu 王雲福	One of the directors
Daqing Xiangge Enterprise Management Limited (“Daqing Xiangge”) 大慶市祥閣企業管理有限公司	Company controlled by Mr. Liu Laixiang
Huizhi Jinhe Software	Company controlled by Mr. Liu Laixiang
Yincheng Zhiye	Company controlled by Ms. Dong Ling
Junfengda Property	A subsidiary of Harbin Xiangge until 20 January 2020 and of Yincheng Zhiye since 20 January 2020

(b) Transactions with related parties

	2020 RMB’000	2019 RMB’000
Repayment to shareholders		
Ms. Dong Ling and Mr. Liu Laixiang	**2,800**	13,150
Advance from a related party		
Daqing Xiangge	**7,150**	22,133
Repayment to a related party		
Daqing Xiangge	**15,312**	25,223

(c) Guarantees provided by related parties

Related parties listed in note 22 to the financial statements provided guarantees for the Group’s interest-bearing bank and other borrowings and interest accruals free of charge.

Certain of the Group’s interest-bearing bank and other borrowings and interest accruals with aggregate carrying amounts as at 31 August 2020 of RMB22,369,000 (2019: RMB48,608,000) were secured by pledges over the properties owned by related parties listed in note 22 to the financial statements.

28. RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(d) Outstanding balances with related parties

Amounts due to shareholders

	2020 RMB'000	2019 RMB'000
Ms. Dong Ling and Mr. Liu Laixiang	–	2,800

Amount due to a related party

	2020 RMB'000	2019 RMB'000
Daqing Xiangge	–	3,245

The outstanding balances with shareholders and a related party above are unsecured, interest-free, repayable on demand and non-trade in nature.

(e) Compensation of key management personnel of the Group

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	1,238	1,087
Pension scheme contributions	23	39
	1,261	1,126

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

29. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets at amortised cost

	2020 RMB'000	2019 RMB'000
Other non-current assets	4,200	3,000
Financial assets included in prepayments, other receivables and other assets	29,309	2,860
Cash and cash equivalents	337,554	139,932
	371,063	145,792

Financial liabilities at amortised cost

	2020 RMB'000	2019 RMB'000
Financial liabilities included in other payables and accruals	48,660	77,082
Amounts due to shareholders	–	2,800
Amount due to a related party	–	3,245
Interest-bearing bank and other borrowings and interest accruals – current	95,356	63,262
Interest-bearing bank and other borrowings and interest accruals – non-current	725,460	667,109
Payables for purchase of property, plant and equipment – non-current	61,042	113,875
Other long term liability	18,404	–
	948,922	927,373

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	2020 Carrying amounts RMB'000	2020 Fair values RMB'000
Financial assets		
Other non-current assets	4,200	2,955
Financial liabilities		
Interest-bearing bank and other borrowings and interest accruals	820,816	760,193
Payables for purchase of property, plant and equipment – non-current	61,042	61,042
Other long term liability	18,404	18,404
	900,262	839,639

	2019 Carrying amounts RMB'000	2019 Fair values RMB'000
Financial assets		
Other non-current assets	3,000	1,753
Financial liabilities		
Interest-bearing bank and other borrowings and interest accruals	730,371	698,286
Payables for purchase of property, plant and equipment – non-current	113,875	113,875
	844,246	812,161

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

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

At the end of each year, the finance department analyses the movements in the values of financial instruments.

The fair values of other non-current assets, interest-bearing bank and other borrowings and interest accruals, payables for purchase of property, plant and equipment and other long term liability have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in the Group's own non-performance risk for other non-current assets, interest-bearing bank and other borrowings and interest accruals, payables for purchase of property, plant and equipment and other long term liability as at the end of each year were assessed to be insignificant.

Fair value hierarchy

The Group did not have any financial assets or liabilities measured at fair value as at 31 August 2019 and 2020.

During the years ended 31 August 2019 and 2020, there were no transfers of fair value measurement between Level 1 and Level 2, or transfers into or out of Level 3 for both financial assets and financial liabilities. The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of each year in which they occur.

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

Assets for which fair values are disclosed

As at 31 August 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Other non-current assets	–	2,955	–	2,955

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Assets for which fair values are disclosed (Continued)

As at 31 August 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Other non-current assets	–	1,753	–	1,753

Liabilities for which fair values are disclosed

As at 31 August 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Interest-bearing bank and other borrowings and interest accruals	**–**	**760,193**	**–**	**760,193**
Payables for purchase of property, plant and equipment – non-current		**61,042**		**61,042**
Other long term liability	**–**	**18,404**	**–**	**18,404**
	–	**839,639**	**–**	**839,639**

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Liabilities for which fair values are disclosed (Continued)

As at 31 August 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings and interest accruals	–	698,286	–	698,286
Payables for purchase of property, plant and equipment – non-current	–	113,875	–	113,875
	–	812,161	–	812,161

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings and interest accruals, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other non-current assets, other payables and accruals, amounts due to shareholders, an amount due to a related party, payables for purchase of property, plant and equipment and other long term liability, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The directors of the Company review and agree policies for managing each of these risks and they are summarised below.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The interest rates and terms of repayments of the bank loans are disclosed in note 22 to the financial statements. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank borrowings at the end of years 2019 and 2020 and it is assumed that the amounts of liabilities outstanding at the end of years 2019 and 2020 were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 August 2020 would decrease/increase by RMB466,000 (2019: RMB631,000). This is mainly attributable to the Group's exposure to interest rates on its bank loans with variable rates.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from the proceeds from IPO in HKD and other borrowings denominated in USD, respectively.

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

	Increase/ (decrease)	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2020			
If the RMB weakens against the HKD	5%	–	12,394
If the RMB strengthens against the HKD	(5%)	–	(12,394)
If the RMB weakens against the USD	5%	14	468
If the RMB strengthens against the USD	(5%)	(14)	(468)

* Excluding retained profits

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligation. The Group has no concentration of credit risk from third party debtors. The Group's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets and other non-current assets.

Cash and cash equivalents

Most of the bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The expected credit loss is approximately zero.

Financial assets included in prepayments, other receivables and other assets and other non-current assets

The Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout the year. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as of the reporting date with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Maximum exposure and year-end staging as at 31 August 2019 and 2020

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 August 2019 and 2020. The amounts presented are gross carrying amounts for financial assets.

	As at 31 August 2020				
	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets					
– Normal*	29,309	–	–	–	29,309
Cash and cash equivalents					
– Not yet past due	337,554	–	–	–	337,554
Other non-current assets					
– Not yet past due	4,200	–	–	–	4,200
	371,063	–	–	–	371,063

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

Maximum exposure and year-end staging as at 31 August 2019 and 2020 (Continued)

	As at 31 August 2019				
	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets					
– Normal*	2,860	–	–	–	2,860
Cash and cash equivalents					
– Not yet past due	139,932	–	–	–	139,932
Other non-current assets					
– Not yet past due	3,000	–	–	–	3,000
	145,792	–	–	–	145,792

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

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and other borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, sale and leaseback liabilities and other interest-bearing loans. The Group's policy is that not more than 75% of borrowings should mature in any 12-month period. 12% of the Group's debts would mature in less than one year as at 31 August 2020 (2019: 9%), based on the carrying value of borrowings reflected in the financial statements.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

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

	As at 31 August 2020				
	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	47,302	1,358	–	–	48,660
Interest-bearing bank and other borrowings and interest accruals	–	172,336	790,097	–	962,433
Payables for purchase of property, plant and equipment – non-current	–	–	61,042	–	61,042
Other long term liability	–	–	18,404	–	18,404
	47,302	173,694	869,543	–	1,090,539

	As at 31 August 2019				
	On demand	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	77,082	–	–	–	77,082
Interest-bearing bank and other borrowings and interest accruals	–	74,683	209,376	568,348	852,407
Amounts due to shareholders	2,800	–	–	–	2,800
Amount due to a related party	3,245	–	–	–	3,245
Payables for purchase of property, plant and equipment – non-current	–	–	122,717	–	122,717
	83,127	74,683	332,093	568,348	1,058,251
Financial guarantees issued: Maximum amounts guaranteed	16,406	–	–	–	16,406

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

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

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

The Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of each of the years were as follows:

	2020 RMB'000	2019 RMB'000
Total liabilities	**1,070,549**	1,126,679
Total assets	**1,871,116**	1,587,467
Debt-to-asset ratios	**57%**	71%

32. EVENTS AFTER THE REPORTING PERIOD

There was no significant events took place subsequent to 31 August 2020 and up to the date of approval of these financial statements.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	3	–
Total non-current assets	3	–
CURRENT ASSETS		
Due from subsidiaries	61,813	–
Cash and cash equivalents	232,086	–
Total current assets	293,899	–
CURRENT LIABILITIES		
Other payables and accruals	8,308	–
Interest-bearing bank and other borrowings and interest accruals	7,528	–
Due to subsidiaries	3	–
Total current liabilities	15,839	–
NET CURRENT ASSETS	278,060	–
TOTAL ASSETS LESS CURRENT LIABILITIES	278,063	–
Net assets	278,063	–
EQUITY		
Share capital	46,292	–
Reserves (note)	231,771	–
Total equity	278,063	–

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

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

	Capital reserve RMB'000	Accumulated losses RMB'000	Exchange fluctuation RMB'000	Total reserves RMB'000
At 1 September 2019	–	–	–	–
Loss for the year	–	(15,757)	–	(15,757)
Other comprehensive income for the year:				
Exchange differences on translation of foreign operations	–	–	(3,273)	(3,273)
Total comprehensive loss for the year	–	(15,757)	(3,273)	(19,030)
Capitalisation Issue of shares	(34,719)	–	–	(34,719)
Issue of shares for the IPO	301,917	–	–	301,917
Share issue expenses	(16,397)	–	–	(16,397)
At 31 August 2020	250,801	(15,757)	(3,273)	231,771

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 November 2020.

DEFINITIONS

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

"affiliate(s)"	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AGM"	the annual general meeting of the Company
"Articles of Association" or "Articles"	the articles of association of the Company adopted by the written resolution of the Shareholders on 22 July 2020 and as amended, supplemented and otherwise modified from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Board" or "Board of Directors"	the board of directors of the Company
"Business Cooperation Agreement"	the business cooperation agreement entered into by and among Liankang Consulting, Harbin Xiangge and Heilongjiang College of Business and Technology dated 6 February 2020
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CG Code"	corporate governance code contained in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, excluding for the purpose of this report, Hong Kong, Macau and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
Companies (WUMP) Ordinance"	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time

"Company"	Leader Education Limited (立德教育有限公司) (stock code: 1449), an exempted company incorporated in the Cayman Islands with limited liability on 17 June 2019
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"controlling shareholders"	has the meaning ascribed thereto in the Listing Rules and unless the context otherwise requires, refers to the controlling shareholders of our Company, namely Ms. Dong, Mr. Liu, Junhua Education and Shuren Education
"Director(s)"	the director(s) of the Company
"Directors' Powers of Attorney"	the school directors' powers of attorney executed by certain directors of Heilongjiang College of Business and Technology dated 6 February 2020
"Equity Pledge Agreements"	collectively, an equity pledge agreement dated 25 March 2020 and entered into by and among Mr. Liu, Ms. Dong, Liankang Consulting and Harbin Xiangge and a supplemental equity pledge agreement dated 5 April 2020 and entered into by and among the same parties
"Exclusive Call Option Agreement"	the exclusive call option agreement entered into by and among Liankang Consulting, Harbin Xiangge, Heilongjiang College of Business and Technology and Mr. Liu and Ms. Dong dated 6 February 2020
"Exclusive Technical Service and Management Consultancy Agreement"	the exclusive technical service and management consultancy agreement entered into by and among Liankang Consulting, Harbin Xiangge and Heilongjiang College of Business dated 6 February 2020
"Foreign Investment Law"	the Foreign Investment Law of the PRC (中華人民共和國外商投資法), as enacted by the 13th National People's Congress on 15 March 2019, which came into effect on 1 January 2020
"Group", "our Group", "we" or "us"	the Company, its subsidiaries and the consolidated affiliated entities from time to time, or, where the context so requires in respect of the period before the Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"Junhua Consulting"	Beijing Junhua Business Information Consulting CO., Ltd.* (北京峻華商務信息諮詢有限公司), a limited liability company established under the laws of the PRC on 8 July 2020, which is an indirect wholly owned subsidiary of our Company
"Junhua Education"	Junhua Education Limited (竣華教育有限公司), a company incorporated under the laws of the BVI on 18 June 2019 and wholly-owned by Mr. Liu, our Controlling Shareholder
"Liankang Consulting"	Heilongjiang Liankang Business Information Consulting CO., Ltd.* (黑龍江聯康商務信息諮詢有限公司), a limited liability company established under the laws of the PRC on 8 August 2019, which is an indirect wholly owned subsidiary of our Company

DEFINITIONS

“Listing”	listing of the Shares on the Main Board of the Stock Exchange on 6 August 2020
“Listing Date”	6 August 2020, since which the Shares of the Company have been listed on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Hanan Campus”	the campus of Heilongjiang College of Business and Technology, located at North of Yucai Road, West Street of Limin Development Zone, Harbin City, Heilongjiang Province, the PRC
“Harbin Xiangge”	Harbin Xiangge Enterprise Management Ltd.* (哈爾濱祥閣企業管理有限公司), formerly known as Harbin Xiangge Property Development Ltd.* (哈爾濱祥閣房地產開發有限公司), a limited liability company established under the laws of the PRC and is held as to 60% by Ms. Dong and 40% by Mr. Liu
“Heilongjiang College of Business and Technology”, “PRC Operating School” or “our school”	Heilongjiang College of Business and Technology (黑龍江工商學院), previously known as Chengdong College of Northeast Agricultural University* (東北農業大學成棟學院), a private regular undergraduate institution approved and established under the laws of PRC, of which the school sponsor’s interest is wholly owned by Harbin Xiangge and consisting of Songbei Campus and Hanan Campus
“HK$” and “HK cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards (which include all International Financial Reporting Standards, International Accounting Standards and interpretations) issued by the International Accounting Standards Board
“Loan Agreement”	the loan agreement entered into by and among Liankang Consulting, Harbin Xiangge and Heilongjiang College of Business and Technology dated 6 February 2020
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on 22 July 2020 and as amended from time to time

"Model Code"	the model code for securities transactions by directors of listed issuers as set out in Appendix 10 of the Listing Rules
"MOE"	the Ministry of Education of the PRC (中華人民共和國教育部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Liu"	Mr. Liu Laixiang (劉來祥), the Chairman, the Chief Executive Officer, an executive Director and a Controlling Shareholder and the spouse of Ms. Dong
"Ms. Dong"	Ms. Dong Ling (董玲), an executive Director and a Controlling Shareholder and the spouse of Mr. Liu
"NDRC"	The National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Negative List 2020"	Special Administrative Measures for Access of Foreign Investment (Negative List) (2020) (《外商投資准入特別管理措施(負面清單)》) (2020年版) which was promulgated by the NDRC and the MOFCOM on 23 June 2020 and became effective on 23 July 2020
"Nomination Committee"	the nomination committee of the Company
"PRC Consolidated Affiliated Entities"	the entities that we control through the Structured Contracts, which comprised Harbin Xiangge and Heilongjiang College of Business and Technology
"PRC Legal Advisors"	Jingtian & Gongcheng, our Legal advisors as to PRC Laws
"Prospectus"	the prospectus of the Company dated 27 July 2020
"RMB"	Renminbi, the lawful currency of the PRC
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the year ended 31 August 2020
"School Sponsor's and Directors' Rights Entrustment Agreement"	the school sponsor's and directors' rights entrustment agreement entered into by and among Harbin Xiangge, Heilongjiang College of Business and Technology and certain directors thereof and Liankang Consulting dated 6 February 2020

DEFINITIONS

"School Sponsor's Powers of Attorney"	the school sponsor's powers of attorney executed by Harbin Xiaange in favour of Liankang Consulting dated 6 February 2020
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	ordinary share(s) of US$0.01 each in the share capital of our Company
"Shareholder(s)"	the shareholder(s) of the Company
"Shareholders' Rights Entrustment Agreement"	the shareholders' rights entrustment agreement entered into by and among Mr. Liu, Ms. Dong, Harbin Xiangge and Liankang Consulting dated 6 February 2020
"Shuren Education"	Shuren Education Limited (樹人教育有限公司), a company incorporated under the laws of the BVI on 18 June 2019 and wholly-owned by Ms. Dong, our Controlling Shareholder
"Songbei Campus"	the Campus of Heilongjiang College of Business and Technology, located at Xinxing Dongguang Village, Zhoujia Dongyue Village, Shuangcheng District, Harbin City, Heilongjiang Province, the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	collectively, the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Shareholders' Rights Entrustment Agreement, the School Sponsor's and Directors' Rights Entrustment Agreement, the Equity Pledge Agreements, the Loan Agreement, the School Sponsor's Powers of Attorney, the Directors' Powers of Attorney, and the Shareholders' Powers of Attorney
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules. For the avoidance of doubt, the Subsidiaries include our PRC Consolidated Affiliated Entities in this report
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"%"	per cent

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company or entity names in Chinese or another language which are marked with "*" and the Chinese translation of company or entity names in English which are marked with "*" is for identification purpose only.