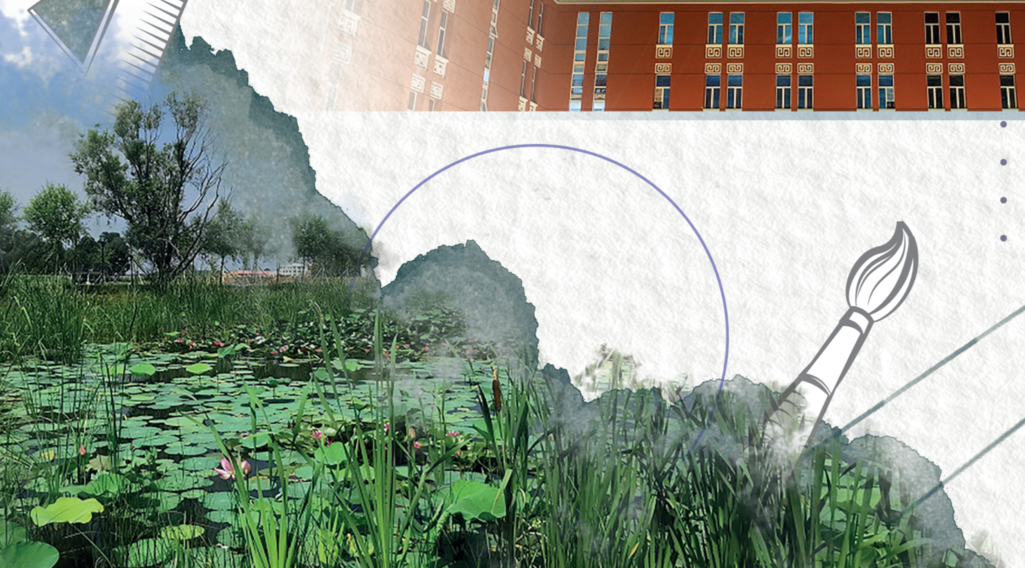
立德教育股份有限公司
Leader Education Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1449

2022
Annual Report



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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 AND PRINCIPAL PLACE OF BUSINESS 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

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road Quarry Bay
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
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (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 comprehensive results and annual report of the Company and its subsidiaries (the "Group") for the year ended 31 August 2022.

RESULTS OVERVIEW

We are a large private formal higher education service provider in Heilongjiang Province, the PRC. For the 2021/2022 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 9,891, representing an increase of 3.5% as compared with 9,554 for the 2020/2021 school years. During the year ended 31 August 2022, the Group recorded revenue of RMB238.2 million, representing an increase of 21.5% as compared with RMB196.1 million for the same period of last year. We offered 26 undergraduate majors in a wide selection of fields including the discipline of engineering, business management and art. 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 year-end employment rate of 2021 graduates of our undergraduate program reached 89.66%, and the overall satisfaction rate of the employers with our graduates reached 88.72%. 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. Our school has been approved as Heilongjiang Province College Student Employment Demonstration School with outstanding performance in terms of maintaining employment within the province, and received a special fund of RMB2.37 million for being outstanding with great performance in higher education at provincial level in 2022.

DEVELOPMENT PLAN

Expand our scale of operation

We will always actively promote academic education and vocational education under the strategy of internal generation and external extension. On the basis of the established industry-education integration park in the Yangtze River Delta, we are planning on the construction of secondary vocational schools, technician schools and colleges. In the future, the Company will offer education services in a systematic manner and at multiple levels, gradually expand the scale of operation, and continue to create value for shareholders.

We will also expand the infrastructure construction of the new campus year by year, increase the investment in teaching instruments and equipment, improve and introduce excellent teachers, increase competitive majors and high-quality courses to further improve school conditions and expand school capacity and enrollment.

Election to register as a for-profit or non-profit private school

After more than ten years of exploration in the revision of the laws and regulations on private education, private colleges and universities are faced with an important election as to the management under "for-profit and non-profit" classification. With the release of six significant documents and their details in China, the implementation opinion on "encouraging social forces to engage in education to promote the healthy development of private schools" was successively issued in various provinces.

As part of the strategic need for school development, we have filed an application with the education authority for the transformation into a for-profit school. Though no approval documents have been received at current stage, we expect such transformation will have a positive influence on application oriented undergraduate colleges and universities like us, such as bringing diversified sources of students and income and solving problems such as integration of production and education, teacher introduction and employment evaluation.

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

30 November 2022

FINANCIAL HIGHLIGHTS

FIVE-YEAR FINANCIAL SUMMARY

Results of Operation

	For the year ended 31 August				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
Revenue	117,494	138,212	156,100	196,143	238,264
Gross profit	65,793	79,205	85,039	98,961	101,096
Profit before tax	57,154	70,357	43,836	52,013	56,025
Profit for the year	56,154	70,211	42,359	52,013	56,025

	As at 31 August				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
Current assets	164,894	191,974	372,446	321,822	283,401
Current liabilities	322,408	345,695	265,643	448,768	522,229
Net current assets/(liabilities)	(157,514)	(153,721)	106,803	(126,946)	(238,828)
Total non-current assets	1,168,258	1,395,493	1,498,670	1,675,862	1,781,951
Total equity	390,577	460,788	800,567	848,682	912,752

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 RMB42.1 million or 21.5% from RMB196.1 million for the year ended 31 August 2021 to RMB238.2 million for the year ended 31 August 2022. The increase was mainly due to a combination of the following factors: (i) revenue from tuition fees has increased by RMB39.6 million or 22.0% from RMB180.0 million for the year ended 31 August 2021 to RMB219.6 million for the year ended 31 August 2022; and (ii) revenue from boarding fees has increased by RMB2.5 million or 16.0% from RMB16.1 million for the year ended 31 August 2021 to RMB18.6 million for the year ended 31 August 2022. The increase in tuition fees was mainly due to the expansion of size of admission and the increase in average tuition fees. For the 2021/22 school year, the tuition fee standards are RMB29,800 per year for general majors and RMB29,800 per year for art majors, respectively (2020/21 school year: RMB20,000 and RMB22,000, respectively). The new tuition fee standards are only applicable for new students admitted for 2021/22 school year and other students are subject to the tuition fee standards then applicable at their year of admission. The boarding fee rate for the 2021/22 school year is in the range of RMB2,200 to RMB2,400 per year (2020/21 school year: RMB2,000 to RMB2,200 per year). The total number of students enrolled has increased from 9,554 for the 2020/21 school year to 9,877 for the 2021/22 school year.

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 RMB40.0 million or 41.1% from RMB97.2 million for the year ended 31 August 2021 to RMB137.2 million for the year ended 31 August 2022. The increase was mainly due to: (i) staff costs increased by RMB15.3 million or 36.3% from RMB42.2 million for the year ended 31 August 2021 to RMB57.5 million for the year ended 31 August 2022, mainly due to the combined effects of the increase in remuneration 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 RMB2.4 million or 7.8% from RMB30.6 million for the year ended 31 August 2021 to RMB33.0 million for the year ended 31 August 2022, mainly resulted from the increase in the buildings and boarding facilities put into use upon the progress completion of the second phase of Hanan Campus. (iii) in order to meet the qualification assessment of undergraduate teaching work, the overall teaching facilities in Songbei Campus were maintained and repaired, and the repair cost increased by RMB9.2 million during the year ended 31 August 2022 as compared with the corresponding period of 2021; (iv) in order to improve teaching quality and promote curriculum reform and innovation, the investment in teaching funds has been increased during the year ended 31 August 2022, and the teaching expenditure has increased by RMB6.6 million as compared with the corresponding period of 2021; and (v) increase in college students' practical activities, such as skiing activities, amounted to RMB3.1 million.

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 RMB2.1 million or 2.2% from RMB99.0 million for the year ended 31 August 2021 to RMB101.1 million for the year ended 31 August 2022, mainly resulted from the increase in income due to an increase in the number of students and average tuition fees, which is higher than the increase in related cost.

Gross profits margin has decreased from 50.5% for the year ended 31 August 2021 to 42.4% for the year ended 31 August 2022. The increase in the student number led to a corresponding increase in teaching expenses and remunerations and salaries of teaching staff. Furthermore, in order to continuously improve the teaching quality, the expenditure on student activities increased during the year ended 31 August 2022, and the investment in school produced courses also generated expenditure. In addition, due to the improvement of the teaching environment and the improvement of school running conditions, the teaching facilities in Songbei Campus were maintained and repaired during the year ended 31 August 2022, therefore the repair costs increased. The combined effects of the abovementioned factors led to the decrease in gross profits margin.

Other Income and Gains

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

Other income and gains for the year ended 31 August 2022 increased by RMB5.3 million as compared to the amount for the year ended 31 August 2021 which was mainly due to: (i) RMB5.0 million received from Harbin Financial Bureau due to the reward to the listing policy of enterprise; and (ii) the increase of investment income from wealth management products and bank interest income of RMB0.3 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.

Selling expenses decreased by RMB0.2 million or 12.1% from RMB1.8 million for the year ended 31 August 2021 to RMB1.6 million for the year ended 31 August 2022, which was due to the technical service fees and employment practice cooperation fees in relation to graduates' employment quality survey of RMB0.2 million in total incurred for the year ended 31 August 2021 assisting with student enrollment in the future which didn't occur during the year ended 31 August 2022.

Administrative Expenses

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

Administrative expenses has increased by RMB11.2 million or 38.1% from RMB29.3 million for the year ended 31 August 2021 to RMB40.5 million for the year ended 31 August 2022, mainly due to (i) the increase in staff costs by RMB1.7 million as a result of the combined effects of the increase in the number of administrative staff of the Group and the increase in remunerations and benefits payable to them, (ii) the increase in depreciation and amortisation by RMB2.2 million primarily due to the increase in the fixed assets for administration use in order to keep up with business development and the increase in the number of administrative staff; (iii) the increase in consultation fee by RMB5.7 million, which mainly represented legal fee, financial and taxation advisory and corporate consulting fees; and (iv) the increase in other professional services costs, office expenses and miscellaneous expenses by RMB1.6 million 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 decreased from RMB13.4 million for the year ended 31 August 2021 to RMB7.0 million for the year ended 31 August 2022. Our interest expenses decreased by approximately RMB0.5 million from approximately RMB52.7 million for the year ended 31 August 2021 to approximately RMB52.2 million for the year ended 31 August 2022. For the year ended 31 August 2021, among all interest expenses, an amount of RMB13.4 million was not capitalised, which were related to (among others): (a) borrowings from Huatai Principal Investment Group Limited primarily for repaying other loans from certain other financial institutions, and (b) borrowings from certain banks in China which were mainly used for daily working capital or purposes not related to construction of property, plant and equipment, while interest expenses on other borrowings and sale and leaseback liabilities of approximately RMB39.3 million was fully capitalised. During the year ended 31 August 2022, among all interest expenses, an amount of RMB7.0 million was not capitalised, which were related to (among others): (a) borrowings from Huatai Principal Investment Group Limited primarily for repaying other loans from certain other financial institutions, and (b) borrowings from certain banks in China which were mainly used for daily working capital or purposes not related to construction of property, plant and equipment, while interest expenses on other borrowings and sale and leaseback liabilities of approximately RMB45.2 million was fully capitalised.

Profit before Tax

During the year ended 31 August 2022, the Group recorded profit before tax of approximately RMB56.0 million, representing an increase of approximately 7.7% as compared to approximately RMB52.0 million for the corresponding period of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Income Tax Expenses

During the year ended 31 August 2022, the Group did not record any taxation, which remains the same as the corresponding period of 2021. For details of the income tax applicable to our Group, please refer to note 6 of the notes to the financial statements in this annual report.

Profit for the Year

Due to the combined impact of aforementioned revenue, costs and expenses, the Group recorded a profit of RMB56.0 million for the year ended 31 August 2022, representing an increase of approximately 7.7% as compared to RMB52.0 million for the year ended 31 August 2021.

Working Capital Sufficiency

Despite the fact that we have recorded net current liabilities positions as at 31 August 2022, our Directors are of the view that we have sufficient working capital to meet our present and future cash requirements for at least next 12 months from the date of this annual report, based on the following considerations:

- we have been accumulating net profits;
- we expect to generate cash flow from our operations with payment of tuition fees and boarding fees by our students in the upcoming 2022/2023 school year; and
- as at the date of this annual report, we had unutilised facilities of RMB100.0 million and historically we have been able to obtain external financings and do not foresee any impediment to do so in the future if such need arises.

Our future working capital requirements will depend on a number of factors, including, but not limited to, our operating income, the size of our school operation, construction of new school campus, maintenance and upgrade of existing school facilities, purchase of additional educational equipment for our school and the hiring of additional teachers and other staff. Going forward, we believe that our working capital requirements will be satisfied by cash generated from our operations, bank loans and other borrowings, and other funds raised from the capital markets as and when appropriate from time to time.

Liquidity and Capital Resources

As at 31 August 2022, the Group's cash and cash equivalents were approximately RMB253.1 million, as compared with approximately RMB303.9 million as at 31 August 2021.

As at 31 August 2022, the Group's bank and other borrowings and interest accruals amounted to approximately RMB855.6 million (as at 31 August 2021: RMB877.5 million), of which approximately RMB4.3 million (equivalent to US$0.5 million) were dominated in U.S. dollar, and the others were denominated in Renminbi. As at 31 August 2022, our bank and other borrowings borne effective interest rates ranging from 4.00% to 14.09% per annum (as at 31 August 2021: 4.00% to 14.09% per annum).

Property, Plant and Equipment

As at 31 August 2022, the Group's property, plant and equipment amounted to approximately RMB1,677.4 million, representing a year-on-year increase of approximately 6.5% from approximately RMB1,574.4 million recorded as at 31 August 2021. The increase was due to the increase of construction in progress of Hanan Campus and Nantong Junhua and the increase of furniture, fixtures and others for daily operation in connection with the use of Hanan Campus.

Capital Expenditures

Capital expenditures for the year ended 31 August 2022 were primarily related to the construction of the school premises of Hanan Campus, the maintenance and upgrade of existing school premises and the purchase of additional educational facilities and equipment for our school. For the year ended 31 August 2022, the Group's capital expenditures were RMB196.7 million (2021: RMB159.7 million).

Capital Commitments

As at 31 August 2022, the Group had contracted but not provided for capital commitments of approximately RMB29.5 million (31 August 2021: RMB35.1 million), which were primarily related to the to the acquisition of property, plant and equipment.

Contingent Liabilities

As at 31 August 2022, the Group had no significant contingent liabilities (31 August 2021: nil).

Gearing Ratio

Gearing ratio equals to 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 of 1.0 as at 31 August 2021, the gearing ratio remained relatively stable at 0.9 as at 31 August 2022.

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 2022, 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

The Group had no other material acquisitions or disposals during the year.

As of the date of this annual report, the Group did not have other plans for material investments or capital assets.

Pledge of Assets

As at 31 August 2022, the Group's sale and leaseback borrowings of approximately RMB306.7 million (2021: RMB309.9 million) were guaranteed by the Group's assets of approximately RMB176.6 million (2021: RMB179.0 million).

BUSINESS REVIEW

Overview

As of 31 August 2022, the Group operated one school, namely, Heilongjiang College of Business and Technology in Harbin City, Heilongjiang Province. Heilongjiang College of Business and Technology is divided into two campuses, namely Songbei Campus and Hanan Campus.

In addition, the Group entered into the land-use rights grant contract to acquire the land-use rights of 86,056 sq.m. in Hai'an City, Jiangsu Province in January 2021 to develop the Yangtze River Delta Industry-Education Integrated Base* (長三角產教融合基地), phase I of which is currently under construction.

As at 31 August 2022, our school occupied an aggregated gross site area of approximately 542,009 sq.m. and gross floor area of 305,602 sq.m., with a total property, plant and equipment value of RMB1,677.4 million.

As at 31 August 2022, our school had 696 teachers and 7,636 full-time students (excluding the number of final year students who have graduated) enrolled in bachelor's degree programs; as at the date of this annual report, our school had 696 teachers and 11,023 full-time students enrolled in bachelor's degree programs. The table below sets out the statistics of student enrollment in the past three school years (excluding students who subsequently withdrew during the respective school years):

School years	Number of students
2020/2021	9,554
2021/2022	9,891
2022/2023	11,023

As at 31 August 2022, the utilisation rate of our school was 86.86% (as at 31 August 2021: 77.94%), which is calculated by dividing the number of students enrolled in the bachelor's degree program by the maximum student capacity for the current school year.

Our school offers 26 undergraduate majors in 2022/2023 school year, including 11 in engineering, 5 in management, 3 in economics, 2 in literature, and 5 in art, of which 24 majors enrolled students in 2022/23 school year. There were no newly added majors this year.

In the 2021/2022 school year, the average tuition fee of our school was RMB23,077, representing an increase of 22.03% from the average tuition fee of RMB18,911 in the 2020/2021 school year.

During the year ended 31 August 2022, our school took "cultivating people with virtue, fostering high-quality application-oriented talents, serving the society, and running a school satisfactory to the people" as its educational purpose. Our school also adhered to the operating philosophy of "education-oriented, quality-based, school-enterprise integration, and development with innovation" to exert increasing efforts on the construction of various majors and courses, promote teachers to participate in content and method innovation, take regional economic and social development needs as the guide and the construction requirements for new engineering and business disciplines as the standards, and optimize the construction and layout adjustment of disciplines and majors, as well as the training program and curriculum system in line with the actual development of the school in order to enrich curriculum resources, improve teaching and curriculum assessment methods and strengthen practical teaching and comprehensively improve the quality of application-oriented talents cultivated.

By virtue of the positioning as an "experimental and training center for new business disciplines and new finance", the marketing major of our school put into practice the construction of educational platform and developed an education model integrating "learning, competition, research and cultivation", and was approved as the first-class undergraduate major construction site in Heilongjiang Province in 2022; and the courses of College English (《大學英語》) and Virtual Simulation Experiment for Business Negotiation and Bargaining (《商務談判議價虛擬仿真實驗》) were selected into the second batch of provincial first-class undergraduate courses.

Our school regards innovation and entrepreneurship education as important means to promote education and teaching reform and improve the level of talent cultivation. Also, our school always pays great attention to innovation and entrepreneurship education to continuously strengthen the cultivation of the students' innovation and entrepreneurship ability, and improve their practical ability. In the past three years, our school has implemented in-depth innovation and entrepreneurship training programs for college students at national, provincial and school levels, with more than 135 national and provincial projects approved, and more than 100 school-level projects approved. Our school actively organized students to participate in entrepreneurship and innovation competitions, with more than 350 awards obtained in these competitions above the provincial level, involving a total of 1,325 students and 772 instructors.

Our school takes advantage of modern industry academies as the carrier to promote the integration of industry, education and research, realize the integration of "industry, specialty, and entrepreneurship", innovate the talent training model, and realize the synchronous operation of industry college teaching and conventional teaching.

In 2022, Heilongjiang College of Business and Technology had completed the construction of modern industry academies including "Phoenix Digital Media Creative Academy* (鳳凰數媒創意學院)", "Q Tech Electronic Information Industry Academy* (丘鈦電子信息產業學院)", and "Huayu Xingye Software Technology and Application Industry Academy* (華育興業軟件技術與應用產業學院)", which offered a total of 84 cooperative courses with 41 enterprise mentors, and accepted over 2,000 students to participate in the training with 100 students getting employed by the enterprises, thereby comprehensively promoting the building up of relevant majors in modern industry academies, such as curriculum establishment, cultivation of teachers, internship and training, employment and entrepreneurship, and providing a platform to enable our development as an "education-oriented, quality-based" school and our students' development under the mode of "school-enterprise integration and development with innovation".

Always keeping in mind the idea of "promoting employment is to protect people's livelihood, and ensuring employment is to build political awareness", our school has been actively putting into practice the decisions and assignments of the Party Central Committee and the State Council on "six stability" (i.e. to stabilize employment, finance, foreign trade, foreign investment, investment, and expectations) and "six guarantees" (i.e. to guarantee the employment of residents, the basic people's livelihood, the main body of the market, the security of food and energy, the stability of the supply chain of the industrial chain, and the operation of the grassroots). Keeping oriented to social needs and employment, our school carried out in-depth the "top leader" employment project, and developed a working pattern of "joint management, concerted efforts of all staff, and strict implementation" across the school.

As a training base of cultivating the employment ability for national college graduates, our school has launched the "Set Sail Program* (宏志助航計劃)" to provide training for 24 private undergraduate schools and certain higher vocational colleges in Heilongjiang Province, and successfully completed the training task for 170 graduates in 2022, playing an active role in promoting and enhancing the employability of the graduates.

Our school participated in the "Live Broadcast for Introducing Talents for Famous Enterprises with Excellent Posts in Kunshan — Special Session for Universities and Colleges in Heilongjiang* (昆山名企優崗直播引才暨黑龍江省高校專場)", and was awarded the title of "Talent Introduction Workstation for Universities and Colleges in Kunshan* (昆山市高校引才工作站)" together with Harbin Institute of Technology, Heilongjiang University, and Heilongjiang University of Science and Technology, and won another "Outstanding Contribution Award" for human resources cooperation in Kunshan.

Our school has been approved as Heilongjiang Province College Student Employment Demonstration School with outstanding performance in terms of maintaining employment within the province, and received a special fund of RMB2.37 million for being outstanding with great performance in higher education at provincial level in 2022.

Impact of COVID-19 Pandemic

It has been three years since the outbreak of the novel coronavirus disease 2019 (the "COVID-19") pandemic across the world (including China) at the end of 2019, which is still ongoing at present and has caused a material impact to various industries. However, the COVID-19 pandemic did not have a material impact on our revenue and financial condition as of 31 August 2022. In order to cope with the impact of the COVID-19 pandemic, the Company established presence in online education services and began to apply various intelligent teaching tools in advance, and cooperated with MOOC-CN Education, an online education strategic platform under Tsinghua University, to continuously carry out online education work. After more than two years of practice and exploration, our online education model has become very mature, and our teachers and students have been well adapted. Upon the outbreak of the pandemic, we can transit immediately from offline teaching to online teaching with no impact on our education and teaching. We also engaged in strategic cooperation with MOOC-CN Education in terms of academic resource sharing, teacher development, and application research, and deeply integrated online and offline learning scenarios by centering on the improvement of teaching effects to achieve the diversified and broad expansion of educational services. Therefore, even if the outbreak of the pandemic occurs, we are always capable of providing online education services without the need of refunding tuition fees.

Update on acquisition of Qiqihar College

On 6 January 2021, Heilongjiang Liankang Business Information Consulting Co., Ltd.* (黑龍江聯康商務信息諮詢有限公司) ("Heilongjiang Liankang"), an indirect wholly-owned subsidiary of the Company, and Heilongjiang Yunjian Construction and Development (Group) Company Limited* (黑龍江運建建築開發(集團)股份有限公司) (the "Vendor") entered into a framework agreement for the acquisition of Qiqihar College at a total consideration of RMB35 million. The first deposit of RMB3,000,000 was paid by Heilongjiang Liankang to the Vendor pursuant to the framework agreement. Due to the Vendor's failure to fulfill the conditions precedent under the framework agreement, in September 2022, the deposit of RMB3,000,000 has been refunded to Heilongjiang Liankang.

PROSPECTS

Market overview

The Company is a large private formal higher education service provider in Heilongjiang Province, the PRC.

In recent years, the Central Committee of the Communist Party of China and the State Council have issued a number of documents regarding education reform, such as the "Overall Plan for Coordinating and Promoting the Construction of World-Class Universities and First-class Disciplines* (《統籌推進世界一流大學和一流學科建設總體方案》)", "Implementation Plan for the Reform on National Vocational Education* (《國家職業教育改革實施方案》)", "Proposal of the Central Committee of the Communist Party of China and the State Council on Comprehensively Deepening the Reform of Teacher Force Construction in the New Era* (《中共中央國務院關於全面深化新時代教師隊伍建設改革的意見》)", "China's Education Modernization 2035* (《中國教育現代化2035》)", and "Proposal of the Central Committee of the Communist Party of China and the State Council on Comprehensively Strengthening the Labor Education in Universities, Middle Schools and Primary Schools in the New Era* (《中共中央國務院關於全面加強新時代大中小學勞動教育的意見》)", which have made top-level design and strategic deployment for the development of higher education in China. In October 2020, the Central Committee of the Communist Party of China and the State Council issued the "Overall Plan for Deepening the Reform of Educational Evaluation in the New Era* (《深化新時代教育評價改革總體方案》)", which is a programmatic document for implementing the fundamental task proposed at the National Education Conference to reverse the unscientific educational orientation and cultivate people with virtue.

From the beginning of the "14th Five-Year Plan" period, China has developed into a stage where higher education is becoming popularized, and will face the opportunities and challenges brought about by the major changes in domestic and foreign situation, the optimization of overall national strategic layout, and the information technology revolution in terms of the development and reform of higher education.

It was pointed out at the Fifth Plenary Session of the Nineteenth Central Committee of the Communist Party of China that, China must maintain the core position of innovation in the overall modernization drive, take technological self-reliance and self-improvement as the strategic support for national development. In order to stand at the world's frontiers of science and technology, focus on the main battlefield of the economy and major national needs, and care for the life and health of the people. China needs to deeply implement the strategy of rejuvenating the country through science and education, the strategy of strengthening the country with talents, and the strategy of innovation-driven development to improve the national innovation system and accelerate the construction of a country strong in science and technology. Under the new circumstances, colleges and universities shall keep closely in line with the development trend of science and technology and market demand, and focus on emerging technology fields and other industries with substantial market demand.

MANAGEMENT DISCUSSION AND ANALYSIS

During the "14th Five-Year Plan" period, the Company will closely follow the national education development policies and market demand, continuously enrich the offering of majors, promote teaching reform, hold on to high-quality and high-standard education, and continuously improve the quality and connotation of an application-oriented college to cultivate more application-oriented and inter-disciplinary talents.

Business progress

In respect of student enrollment, our school is the fastest growing private higher education institution in Heilongjiang Province in terms of the compound annual growth rate of the number of students enrolled. In terms of the number of students planned to be enrolled and the number of students enrolled every year, the school of the Company currently ranks the third among all private higher education institutions in Heilongjiang Province.

In respect of student employment, our school always takes "ensuring employment is to protect people's livelihood" as its own responsibility, and has actively developed a new model of "all-student, whole-process and all-round" work mode under the normalization of the pandemic to promote the adequate and high-quality employment of graduates. Our school exchanged experience at the 2022 network video conference on employment and entrepreneurship with high school graduates in the province, through which our new employment work model was promoted and publicized throughout the province. The year-end employment rate of 2021 graduates reached 89.66%, and the overall satisfaction rate of the employers with our graduates reached 88.72%.

In terms of speciality construction, during the reporting period, our school completed the construction of the new "Intelligent Internship and Training Center for New Business Discipline and New Finance* (新商科、新金融智慧實習實訓中心)", which is one of the most advanced and modern student training centers for business disciplines and the only private undergraduate college in Heilongjiang Province approved by the Ministry of Education. The Internship and Training Center for New Business Discipline and New Finance is a comprehensive virtual simulation training platform for the intelligent learning of new business discipline and new finance, which integrates informatization, intelligence and specialization and is jointly developed by the Company and Beijing Zhong'an Hantang International Education Technology Co., Ltd.* (北京中安漢唐國際教育科技有限公司). The center plans to offer 16 compulsory and elective courses each school year, and provide approximately 1,600 hours of experimental and training lessons for 2,600 students in 8 majors, including big data, artificial intelligence, blockchain and cloud services, in our school.

In terms of operating conditions, the first and second phases of construction project of Hanan Campus has been basically completed, and all the new teaching instruments and equipment have been put into use. The reconstruction and expansion of the laboratory in Songbei Campus has also been completed. The teaching conditions of the students have been further improved, with the campus environment further beautified.

DEVELOPMENT STRATEGY

Development direction and targets

The Company has firmly established the talent cultivation positioning of "fostering inter-disciplinary application-oriented talents with noble moral character, service dedication, innovation and entrepreneurship awareness, solid professional and theoretical knowledge, strong practical ability and great competence" and adhered to the service orientation of "establishing foothold in Heilongjiang, seeking further development around the Yangtze River Delta in the pursuit of nationwide presence, catering to industry needs, and actively integrating itself into the dual circulation of domestic and foreign markets", and defined the development target of "constructing a high-level application-oriented private college that meets social needs, serves regional economic and social development and has distinctive characteristics".

Gradually expand the scale of operation

We will, as always, actively promote academic education and vocational education under the strategy of internal generation and external extension. On the basis of the established industry-education integration park in the Yangtze River Delta, we are planning on the construction of secondary vocational schools, technician schools and colleges. In the future, the Company will offer education services in a systematic manner and at multiple levels, gradually expand the scale of operation, and continue to create value for shareholders.

We will expand the infrastructure construction of the new campus year by year, increase the investment in teaching instruments and equipment, improve and introduce excellent teachers, increase competitive majors and high-quality courses to further improve school conditions and expand school capacity and enrollment.

Election to register as a for-profit or non-profit private school

After more than ten years of exploration in the revision of the laws and regulations on private education, private colleges and universities are faced with an important election as to the management under "for-profit and non-profit" classification. With the release of six significant documents and their details in China, the implementation opinion on "encouraging social forces to engage in education to promote the healthy development of private schools" was successively issued in various provinces. Classified management is about to be officially implemented, and norms are emphasized in addition to encouragement. The "20 Principles of Vocational Education* (職教二十條)" is expected to have a positive influence on application-oriented undergraduate colleges and universities such as diversified sources of students and income, and will also help application-oriented undergraduate colleges and universities to solve problems such as integration of production and education, teacher introduction and employment evaluation.

As part of the strategic need for school development, Heilongjiang College of Business and Technology has filed an application with the education authority for the transformation into a for-profit school. No approval documents have been received from the education authority yet. For the time being, we will continue to operate in accordance with the requirements for non-profit private colleges before approval for the transformation into for-profit college is granted.

EMPLOYEES AND REMUNERATION POLICY

As at 31 August 2022, the Group had 696 full-time employees and 205 part-time employees (as at 31 August 2021: 670 full-time employees and 301 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 2022 was RMB70.2 million (as at 31 August 2021: RMB53.0 million).

SUBSEQUENT EVENTS

As at the date of this annual report, there was no significant event subsequent to 31 August 2022.

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 57, the founder of our Group and the honorary 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 16 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 June 2022, he acted as the principal, chairman of the board of directors of Heilongjiang College of Business and Technology and from June 2022 to present, he acts as the honorary principal of chairman of the board of directors of Heilongjiang College of Business and Technology. He is in charge of major strategic planning and development of the school, integration and optimization of school-running resources, integration of industry and education, employment assistance for students and investment promotion.

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 53, 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 25 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 February 2022. Ms. Dong acts as a director and the vice principal of Heilongjiang College of Business and Technology. She is in charge of administrative work and overall management of the school.

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 52, 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 56, 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 16 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 the vice principal of our school from July 2022 to present. He is in charge of the construction and development of the new Hanan campus of our school, construction of national AAA level attractions and works related to social services. 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 47, 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 51, 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 42, 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 15 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.

Currently, he acted as an independent non-executive director of Sanxun Holdings Group Limited (三巽控股集團有限公司) (stock code: 6611) since September 2019, an independent non-executive director of Capital Finance Holdings Limited (首都金融控股有限公司) (stock code: 8239) since January 2022 and an independent non-executive director of Contel Technology Company Limited (康特隆科技有限公司) (stock code: 1912) since March 2022. 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, the company secretary of China Bozza Development Holdings Limited (中國寶沙發展有限公司) (stock code: 1069) since May 2022 and the company secretary of Bison Finance Group Limited (貝森金融集團有限公司) (stock code: 888) since August 2022 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 53, 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 40, 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 41, was appointed as the company secretary of our Company in February 2020. Mr. Chang has over 18 years of experience in accounting, finance and business advisory work. Mr. Chang is currently an independent non-executive director of Yik Wo International Holdings Limited (易和國際控股有限公司) (stock code: 8659) since June 2022. He is also the chief financial officer and the company secretary of Sanxun Holdings Group Limited (三巽控股集團有限公司) (stock code: 6611) since September 2019. In addition, He is also the company secretary of Xingye Wulian Service Group Co. Ltd. (興業物聯服務集團有限公司) (stock code: 9916) since July 2022 and the company secretary of Wanka Online Inc. (stock code: 1762) since November 2022. He was an independent non-executive director of Centenary United Holdings Limited (世紀聯合控股有限公司) (stock code: 1959) from September 2019 to May 2020. He has also been an independent non-executive director of DL Holdings Group Limited (德林控股集團有限公司) (formerly known as Season Pacific Holdings Limited) (stock code: 1709) and Transmit Entertainment Limited (傳遞娛樂有限公司) (formerly known as Pegasus Entertainment Holdings Limited) (stock code: 1326) 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.

REPORT OF THE DIRECTORS

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 2022.

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 ended 31 August 2022, 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 ended 31 August 2022, 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.

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 2022, 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 one month 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 29 of the notes to financial statements.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on 24 February 2023. 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 2022 are set out in the consolidated statement of profit or loss and comprehensive income on pages 70 to 71 of this annual report.

The Board did not recommend the payment of a final dividend for the year ended 31 August 2022. 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.

REPORT OF THE DIRECTORS

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 21 February 2023 to 24 February 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by no later than 4:30 p.m. on 20 February 2023.

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 2022 are set out in note 13 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 2022 are set out in note 22 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 2022 are set out in the consolidated statement of changes in equity set out on page 74 of this annual report, of which, the reserves available for distribution to the Shareholders as at 31 August 2022 are set out in note 23 to the notes to financial statements.

BORROWINGS

As at 31 August 2022, the Group had outstanding bank and other borrowings and interest accruals of approximately RMB855.6 million. Details of the borrowings are set out in note 21 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

On the Listing Date, 166,667,000 new Shares with a nominal value of US$0.01 each of the Company (aggregate nominal value: US$1,666,670) were issued al 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 a 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 unutilised net proceeds were deposited at the interest bearing bank accounts held by the Company.

As al 31 August 2022, the utilisation of the net proceeds is as follows:

	Percentage of total net proceeds	Net proceeds (HK$ million)	Utilised as at 31 August 2022 (HK$ million)	Unutilised as at 31 August 2022 (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	0	N/A
Repay principals and interests of borrowings from financial institutions	30%	100.0	95.2	4.8	31 December 2023(2)
Acquire other schools to expand the Group's school network	20%	66.6	3.6	63.0	31 December 2023(2)
Fund the Group's working capital and general corporate purposes	10%	33.4	33.4	0	N/A
Total		333.2	265.4	67.8	

Notes:

(1) The above figures are subject to rounding.

(2) We have extended the term of an existing loan with a financial institution and it is expected that the unutilised portion of net proceeds will be utilised for repayment of interest and/or principal thereunder by 31 December 2023.

(3) As at 31 August 2022, the Group has utilised an amount of approximately RMB3.0 million (equivalent to HK$3.6 million) as deposit in connection with the proposed acquisition of the sponsorship interest in Qiqihar College. In September 2022, the amount of approximately RMB3.0 million (equivalent to HK$3.6 million) has been refunded to the Group. Save as disclosed above, we have not identified other acquisition targets. The remainder of net proceeds earmarked for acquisition of other schools will be applied after the Group has identified and entered into legally binding agreement to acquire the same.

On 30 November 2022, the Board has resolved to change the allocation of the use of proceeds from the Global Offering in manner as more particularly set out below:

	Original use of proceeds (HK$ million)	Revised use of proceeds (HK$ million)	Amount utilized as at the date of this annual report (HK$ million)	Remaining balance as at the date of this annual report (HK$ million)	Expected timeline for full utilization of the remaining net proceeds
Expand Hanan Campus in connection with the construction of the second phrase	133.2	133.2	133.2	–	Fully utilized
Repay principals and interests of borrowings or loans incurred from the investments and operations of the Company (including but not limited to principals and interests from banks, financial institutions and other sources)	100.0	156.6	95.2	61.4	2023.12.30
Acquire other schools to expand the Group's school network	66.6	–	–	–	N/A
Fund the Group's working capital and general corporate purposes	33.4	43.4	33.4	10.0	2023.12.30
Total	333.2	333.2	261.8	71.4	

Note:

The above figures are subject to rounding.

DIRECTORS

The Directors in office during the year ended 31 August 2022 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 19 to 23 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)).

REPORT OF THE DIRECTORS

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

Save as disclosed in the section headed "Non-exempt Continuing Connected Transaction" of this report 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 2021 and up to the date of this annual report.

During the year ended 31 August 2022 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 2022 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.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 2.4 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 2022, 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 2022.

LOAN AND GUARANTEE

During the year ended 31 August 2022, 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 2022, the Company did not enter into any equity-linked agreement.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 August 2022, 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 them undertook to Liankang Consulting that, unless with the prior written consent of Liankang Consulting, they (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 them further consented and agreed 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

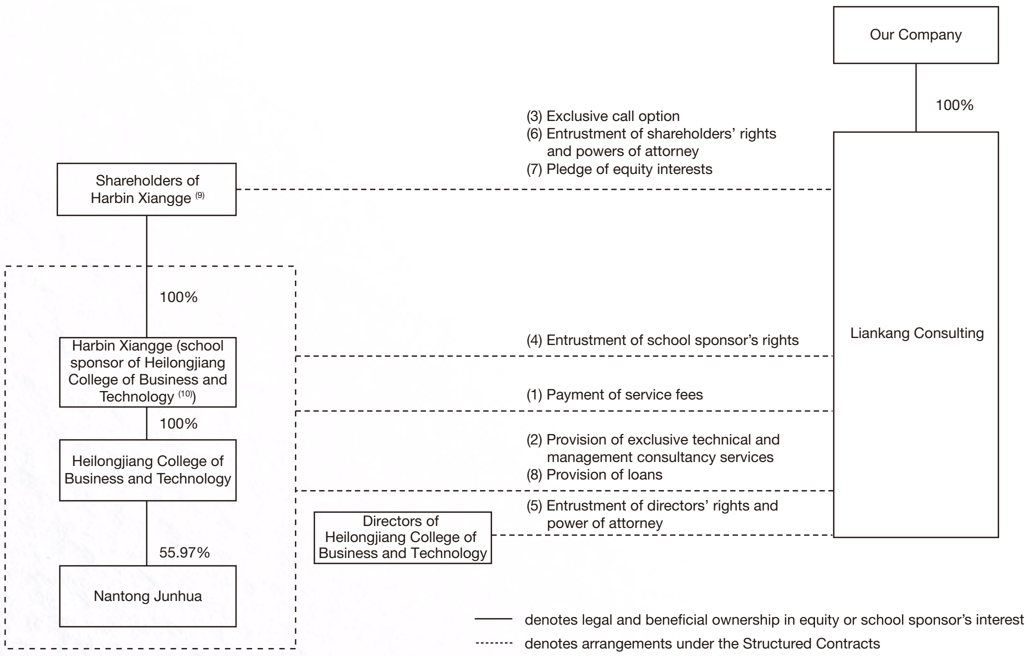
As at the date of this annual report, the Group has entered into the following continuing connected transactions pursuant to Chapter 14A of the Listing Rules:

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 Contract

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 2022 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	238,263	100.0	74,997	132.0	1,986,034	96.2

Latest Regulatory Development

On 14 May 2021, the State Council published the 2021 Implementation Regulations, which became effective from 1 September 2021. The 2021 Implementation Regulations introduced significant changes to certain provisions of the 2004 Implementation Regulations and contain provisions governing the operation and management of private schools, which primarily include: (i) a private school may enjoy the preferential tax policies stipulated by the State and a non-profit private school may enjoy the same tax policies as a public school; and (ii) the local people's governments shall grant preferential treatments in terms of land use by means of allocation in accordance with the principle of treating nonprofit private schools equally as public schools, and for schools that provide education for academic credentials, may provide lands by means of bid invitation, auction or listing, assigning contracts, long-term lease or combination of sale as well as rental and may permit payment in instalments.

The 2021 Implementation Regulations stipulates further provisions of the operation and management of private schools, such as Heilongjiang College of Business and Technology. Among other things, (i) a non-profit private school shall use the accounts filed with the competent authorities for charging fees and financial transactions, and a for-profit private school shall deposit the income into a specific settlement account of its own; (ii) at the end of each financial year, a for-profit private school shall set aside a portion of not less than 10% of its audited annual net income, and a non-profit private school from its audited annual net increase in assets, as the development fund, which is to be used for the development of the school; (iii) private schools that provide compulsory education are not allowed to enter into transactions with their interested parties, and other private schools shall conduct transactions with their interested parties in a manner that is open, justified and fair, shall be reasonably priced, shall establish standardized decision-making for such transactions and shall not harm the interests of the State, schools, teachers and students. Private schools shall set up an information disclosure mechanism for dealing with their interested parties. The relevant governmental authorities, such as the education department, the human resources and social security departments and the financial departments, shall strengthen the supervision of the agreements entered into between non-profit private schools and their interested parties, and shall review the connected transactions annually; (iv) the registered capital of a private school shall be paid in full when it is formally established and shall be compatible with the type, level and scale of the school; (v) any social organizations or individuals shall not control compulsory education private schools or non-profit private schools that implement preschool education through mergers or "structured contracts"; and (vi) for any change of school sponsor of a private school, an alteration agreement shall be entered into but shall not involve the legal property of the school, nor shall it affect the development of the school, or damage the rights and interests of teachers and students; the existing school sponsor may, in accordance with its lawful rights and interests, enter into agreements with the successional school sponsor to stipulate the income from the alteration.

With respect to requirement (iii) above, our contractual arrangements as disclosed under the heading of "Structured Contracts" in the Prospectus and the 2020 Annual Report may be regarded as connected transactions of Heilongjiang College of Business and Technology and we may incur substantial compliance costs for establishing disclosure mechanisms and undergoing reviewing by the relevant government authorities. Such process may not be in our control and may be highly complicated and burdensome and may divert management attention. Government authorities may, during their review process, compel us to make modifications to our contractual arrangements for whatever reason, which may in turn adversely affect the operation of our contractual arrangements. Government authorities may find that one or more agreements underlying our contractual arrangements do not comply with applicable PRC laws and regulations and may subject us to severe penalties, resulting in material adverse impact on our operation and financial condition.

Uncertainties remain with respect to the interpretation of the 2021 Implementation Regulations and we cannot assure you that the implementation of the 2021 Implementation Regulations by the competent authorities will not deviate from our current understanding or interpretation of it.

Furthermore, we are unable to predict with certainty the impact, if any, that future legislation or regulations relating to the implementation of the laws promoting private education in the PRC will have on our business, financial condition and results of operations. As at the date of this annual report, we had not been notified of or been subject to any material fines or other penalties under any PRC laws or regulations in respect of our Group's existing corporate structure, including the use of our contractual arrangements. If our Group's existing corporate structure or our contractual arrangements are deemed to violate any rules, laws or regulations, we may be required to terminate or amend our contractual arrangements, our license to operate private schools may be revoked, cancelled or not renewed and we may be exposed to other penalties as determined by the relevant government authorities. We may also be restricted from further expanding Heilongjiang College of Business and Technology or education network. If such situations occur, our business, financial condition and prospects would be materially and adversely affected.

As at the date of this annual report, our Directors considered that the potential impact of the 2021 Implementation Regulations on us includes the following:

(i) our future acquisition may be subject to more stringent regulations. According to Clause 13 of the 2021 Implementation Regulations, any social organizations or individuals shall not control compulsory education private schools or non-profit private schools which offer preschool education through mergers or contractual arrangements. Therefore, we cannot assure you that such requirements will be always fulfilled successfully or in a timely manner or at all, which may bring more uncertainty to our expansion plan. Furthermore, we may not be able to acquire compulsory education private schools or non-profit private schools which offer preschool education held by others using methods such as mergers or "contractual arrangements";

(ii) according to the 2021 Implementation Regulations, private schools that provide compulsory education are not allowed to enter into transactions with interested parties, while other private schools shall conduct transactions with their interested parties in a manner that is open, justified and fair, conducted at reasonable pricing, and subject to standardized decision-making established for such transactions and not harmful to the interests of the State, schools, teachers and students. Private schools shall set up an information disclosure mechanism for dealing with their Interested Parties. The relevant governmental authorities, such as the education department, the human resources and social security departments and the financial department, shall strengthen supervision over agreements signed between nonprofit private schools and their Interested Parties, and shall review connected transactions annually; and

(iii) there are uncertainties regarding the interpretation and implementation of the 2016 Decision and the relevant regulations by government authorities, including the 2021 Implementation Regulations.

We may incur substantial compliance costs for establishing disclosure mechanisms and undergoing reviewing and audit by the relevant government authorities. Such process may not be in our control and may be highly complicated and burdensome. Government authorities may, during their review and audit process, compel us to make modifications to our contractual arrangements, or may find that one or more agreements underlying our contractual arrangements do not comply with applicable PRC laws and regulations and may subject us to administrative penalties. Pursuant to the Implementing Rules on Classification Registration of Private Schools, the rules for changing the registration type of private schools are to be formulated by the relevant provincial government in accordance with the relevant national legislation according to local conditions.

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 advisor, we have 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 SinoForeign 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.

Compliance with the 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 2022, 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 2022:

(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 2022, 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;

d. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company; and

e. 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 2022, 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 2022 are set out in note 26 to the notes to financial statements contained herein. Certain transactions as set out therein were connected transactions exempt from the connected transaction requirements under Rule 14A.76(1), 14A.95 or 14A.90 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 2022, 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 2022, 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	496,674,000(L)	74.5%(L)
Ms. Dong Ling(4)(5)	Interest in controlled corporation	496,674,000(L)	74.5%(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 cooperation	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 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 2022, 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 2022, 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	196,674,000	29.5%
Shuren Education Limited[(4)(5)]	Beneficial owner	300,000,000	45.0%
Huatai Securities Co., Ltd.[(6)]	Interest in a controlled corporation	498,853,000	74.82%

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 the Company 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 the Company 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 the Company 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 the Company in which Mr. Liu is interested under the SFO.

(6) Huatai International Greater Bay Area Investment Fund II, L.P. is 100% owned by Huatai Capital Investment Partners Limited, while Huatai Capital Investment Partners Limited is 100% owned by Principle Solution Group Limited, and Principle Solution Group Limited is 100% owned by Huatai Financial Holdings (Hong Kong) Limited. Huatai Financial Holdings (Hong Kong) Limited is 100% owned by Huatai Securities Co., Ltd through Huatai International Financial Holdings Company Limited. Huatai Securities Co., Ltd is therefore deemed under the SFO to be interested in all the shares of the Company which Huatai Financial Holdings (Hong Kong) Limited and Huatai International Greater Bay Area Investment Fund II, L.P. held or was interested in.

Save as disclosed above and to the best knowledge of the Directors, as at 31 August 2022, 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

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 2022.

There have been no option, convertible securities or similar rights or arrangements, issued or granted by the Group during the year ended 31 August 2022 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 2022. Revenue from the 5 largest customers combined is less than 30%.

Our suppliers primarily consist of construction project contractors, heating service providers, teaching equipment suppliers and booksellers. During the year ended 31 August 2022, the Group's largest suppliers accounted for 13.5% of the Group's total purchase. The Group's five largest suppliers accounted for 37.6% 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.

The 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 2022.

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 2022. 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

30 November 2022

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.

For the year ended 31 August 2022, except for the deviation 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.

CG Code C.2.1

CG Code C.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.

CG Code D.2.5

Under CG Code provision D.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.

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 establishment of a healthy corporate culture, formulation of overall strategies and policies, evaluation of performance and overseeing the management function. As a leading private higher education institutions in Heilongjiang Province, the Group has established a corporate culture which embraces innovation, creativity and receptiveness to change. The Board plays a leading role in defining the purpose, values and strategic direction of the Group which are aligned with the corporate culture. The corporate culture is reflected consistently in the business development of the Group, daily business operating practices as well as relation with stakeholders.

The principal objective of the Company is to strive for long-term return for all its stakeholders. The Group explores opportunities to enhance shareholders' returns, which includes actively promoting academic education and vocational education under the strategy of internal generation and external extension.

In discharging its duties, the Board acts in good faith with due diligence and care, and makes decisions objectively 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 Board has established mechanism to ensure independent views and input are available to the Board. The current composition of the Board has a strong independence element and provides sufficient balance of skills, experience and diversity of perspectives in leading the Company to achieve its goal. The independent non-executive Directors also provide independent judgment in the Board's overall decision making process. The Board has reviewed the implementation and effectiveness of the board independence mechanism for the year ended 31 August 2022 and considered it to be effective.

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 and general meeting for the year ended 31 August 2022 are as below.

	Attendance/Meeting held	
	Board Meeting	**General Meeting**
Executive Directors		
Mr. Liu Laixiang *(Chairman and Chief Executive Officer)*	6/6	1/1
Ms. Dong Ling	6/6	1/1
Mr. Wang Yunfu	6/6	1/1
Mr. Che Wenge	6/6	1/1
Independent Non-executive Directors		
Mr. Zhang Su	6/6	1/1
Mr. Cao Shaoshan	6/6	1/1
Mr. Chan Ngai Fan	6/6	1/1

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 ended 31 August 2022.

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.

During the year ended 31 August 2022, 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 during the year ended 31 August 2022 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 approach to achieve diversity on the Board. Under the Board Diversity Policy, the Company considers diversity of Board members to be achieved through consideration of a number of aspects, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments are based on merit and contribution, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board.

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.

The Board recognises the importance and benefits of gender diversity at the Board level and shall continue to take initiatives to identify female candidate(s) to enhance the gender diversity among the Board members. As at the date of this report, the Board comprises seven Directors, one of which is female.

Our diversity philosophy including the gender diversity was generally followed in the workforce throughout the Group for the year ended 31 August 2022. As of the date of this report, 31.25% of our senior management and 56.78% of our total workforce are female. We will continue with our endeavor to increase female representation in our workforce.

The Board has reviewed the implementation and effectiveness of the Board Diversity Policy of the Company for the year ended 31 August 2022 and considered it to be effective.

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. During the year ended 31 August 2022, 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	2/2(M)	1/1(M)	1/1(M)
Mr. Cao Shaoshan	2/2(M)	1/1(M)	1/1(M)
Mr. Chan Ngai Fan	2/2(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 who has appropriate professional qualification and experiences as required under rule 3.10(2) of the Listing Rules. The Audit committee is established in accordance with rule 3.21 of the Listing Rules.

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.

During the year ended 31 August 2022, the audit committee has met twice to review the annual results and interim results, significant issues on the financial reporting and compliance procedures, internal control and risk management systems, and scope of work and appointment of external auditors. 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.

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.

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 2022.

The remuneration paid to the Company's auditor for the year ended 31 August 2022 is as below:

	RMB'000
Annual audit and related services	1,150
Non-audit services	–
Total	1,150

The statement of the auditors regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 65 to 69 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 2022. 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 65 to 69 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 2022. 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 Board takes environment and social risk into account when making business decision

— An effective whistleblowing policy which enables employees to report any non-conformity or violation of the anti-bribery and corruption policy in writing to management directly or to our dedicated response team. All cases will be investigated in a timely and confidential manner and the personnel who are involved in whistleblowing will be protected

— Clear anti-bribery and corruption policy and code of conduct for every employee which provides guidance to the employees on the standards of behaviour to which they must adhere to, and the ways to deal with bribery and corruption

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.

The Board, through the reviews made by the Audit Committee, had reviewed the effectiveness and the adequacy of the internal control systems of the Group and considered them to have been implemented effectively for the year ended 31 August 2022.

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 2022.

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. During the year ended 31 August 2022, there was no change in the constitutional document of the Company.

A copy of the memorandum and articles of association of the Company is posted on the websites of the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS

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.

To propose a candidate for election as a Director at a general meeting, a shareholder should deposit a written proposal, together with a written notice by the candidate indicating his willingness to be elected, to the Company either at its principal place of business in Hong Kong (at Unit 1426, 14/F., Solo Building, 41–43 Carnarvon Road, Tsim Sha Tsui, Kowloon, Hong Kong) or its branch share registrar and transfer office in Hong Kong (Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong at least seven clear days before the date of the general meeting.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with its shareholders is essential for enhancing investors' understanding of the Group's business and performance. the Company endeavours to maintain an on-going dialogue with shareholders. To ensure that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, the Company has established several channels to communicate with the shareholders as follows:

(i) corporate communications such as annual reports, interim reports, announcements and circulars are issued in printed form and are available on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www. leader-education.cn;

(ii) the Company's constitution document and terms of reference of board committees are also available for download at the website of the Stock Exchange Company's website and at Company's website;

(iii) annual and extraordinary general meetings provide a forum for the shareholders to make comments and exchange views with the Board. The chairman of the Board will attend, and endeavour to ensure the chairmen of various board committees to attend, annual and extraordinary general meetings to answer questions from shareholders.

The Company keeps on promoting investor relations and enhancing communication with the existing shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to Mr. Chang Eric Jackson, the company secretary of the Company at Unit 1426, 14/F., Solo Building, 41–43 Carnarvon Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company reviewed the implementation and effectiveness of the shareholders' communication policy for the year ended 31 August 2022 and considered it to be effective.

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 70 to 140 which comprise the consolidated statement of financial position as at 31 August 2022, 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 2022, 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, pursuant to the 2016 Decision (as defined in note 10 to the financial statements), private schools are no longer being classified into either schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns. Instead, the school sponsor(s) of a private school may choose the school to being a for-profit private school or a non-profit private school, with the exception that the nine-year compulsory education provided by the school must be non-profit. Pursuant to the 2016 Decision and the 2021 Implementation Rules (as defined in note 10 to the financial statements), a private school may enjoy the preferential tax policies, which are not defined under neither the 2016 Decision nor the 2021 Implementation Rules, as stipulated by the related government authorities and a non-profit school may enjoy the same tax policies as enjoyed by a public school. As at the date of this report, the Group's school in the People's Republic of China (the "PRC School") was in the process of classification registration and remained as a private non-enterprise unit. In accordance with the tax compliance confirmation obtained from the local tax authority and the Group's external legal advisor's comments on the preferential tax treatments for the current year, the PRC School did not pay corporate income tax for the income from formal educational services and has enjoyed the preferential tax treatments during the year of 2022. Following a completion of the registration of the PRC School as for-profit private school, the PRC School may be subject to corporate income tax at a rate of 25% in respect of service fees it receives from the provision of formal educational services, if it does not enjoy any preferential tax treatment. As such, significant impact on the Group's profit and loss may arise.	We have performed the following procedures: • discussed with management to evaluate their interpretation of the tax laws and their assessment of the tax obligations of the PRC School operated by the Group for the current year; • evaluated management's assessment on the application of the preferential tax or applicable tax rate to the PRC School; • discussed with the Group's external PRC legal advisors to obtain an understanding of their view with respect to the interpretation of the existing applicable laws which would have an impact on the applicable tax rate on the PRC School; • obtained the comments of the Group's external legal advisor on the tax obligations applied onto the PRC School, in particular, whether or not the PRC School had to pay income tax as required by the corresponding tax authority by the end of year 2022 and whether such preferential tax treatments enjoyed by the PRC school were in compliance with the 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 tax compliance confirmation obtained from the local tax authority for the current year, 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.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
***Income tax** (Continued)* There were significant judgements involved in management's analysis and assessment, such as the assessment on the possible outcome of the tax provision based on historical experiences and interpretation of the relevant tax laws and regulations in respect of the preferential tax treatments enjoyed by the PRC School. Relevant disclosures are included in notes 3 and 10 to the financial statements.	

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.

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.

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

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

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

From the matters communicated with the 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.

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

30 November 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 AUGUST 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	238,264	196,143
Cost of sales		(137,168)	(97,182)
Gross profit		101,096	98,961
Other income and gains	5	7,141	1,842
Selling expenses		(1,594)	(1,814)
Administrative expenses		(40,498)	(29,328)
Other expenses, net		(3,138)	(4,281)
Finance costs	7	(6,982)	(13,367)
PROFIT BEFORE TAX	6	56,025	52,013
Income tax expense	10	–	–
PROFIT FOR THE YEAR		56,025	52,013

continued/...

YEAR ENDED 31 AUGUST 2022

	Notes	2022 RMB'000	2021 RMB'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		(11,252)	4,530
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		(11,252)	4,530
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		19,297	(8,428)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		19,297	(8,428)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		8,045	(3,898)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		64,070	48,115
Profit attributable to:			
Owners of the parent		56,025	52,013
Total comprehensive income attributable to:			
Owners of the parent		64,070	48,115
Earnings per share attributable to ordinary equity holders of the parent:	12		
Basic and diluted			
— For profit for the year		RMB0.0840	RMB0.0780

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 AUGUST 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,677,368	1,574,412
Right-of-use assets	14	66,590	15,498
Other intangible assets	15	3,037	2,604
Prepayments for purchase of property, plant and equipment and right-of-use assets		27,331	75,348
Other non-current assets	16	7,625	8,000
Total non-current assets		1,781,951	1,675,862
CURRENT ASSETS			
Prepayments, other receivables and other assets	17	30,314	17,888
Cash and cash equivalents	18	253,087	303,934
Total current assets		283,401	321,822
CURRENT LIABILITIES			
Contract liabilities	19	213,019	169,384
Other payables and accruals	20	74,871	81,367
Interest-bearing bank and other borrowings and interest accruals	21	227,004	197,768
Deferred income		7,335	249
Total current liabilities		522,229	448,768
NET CURRENT LIABILITIES		(238,828)	(126,946)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,543,123	1,548,916

continued/...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 AUGUST 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings and interest accruals	21	628,566	679,777
Deferred income		1,805	2,053
Other long term liability	20	–	18,404
Total non-current liabilities		630,371	700,234
Net assets		912,752	848,682
EQUITY			
Equity attributable to owners of the parent			
Share capital	22	46,292	46,292
Reserves	23	866,460	802,390
Total equity		912,752	848,682

Liu Laixiang
Director

Wang Yunfu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 AUGUST 2022

	Attributable to owners of the parent					
	Share capital RMB'000 Note 22	Capital reserve RMB'000 Note 23(a)	Statutory surplus reserve RMB'000 Note 23(b)	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
At 1 September 2021	46,292	286,007	131,989	390,941	(6,547)	848,682
Profit for the year	–	–	–	56,025	–	56,025
Other comprehensive income for the year:						
Exchange differences on translation of financial statements	–	–	–	–	8,045	8,045
Total comprehensive income for the year	–	–	–	56,025	8,045	64,070
Transfer from retained profits	–	–	7,422	(7,422)	–	–
At 31 August 2022	46,292	286,007*	139,411*	439,544*	1,498*	912,752

	Attributable to owners of the parent					
	Share capital RMB'000 Note 22	Capital reserve RMB'000 Note 23(a)	Statutory surplus reserve RMB'000 Note 23(b)	Retained profits RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
At 1 September 2020	46,292	286,007	124,559	346,358	(2,649)	800,567
Profit for the year	–	–	–	52,013	–	52,013
Other comprehensive loss for the year:						
Exchange differences on translation of financial statements	–	–	–	–	(3,898)	(3,898)
Total comprehensive income for the year	–	–	–	52,013	(3,898)	48,115
Transfer from retained profits	–	–	7,430	(7,430)	–	–
At 31 August 2021	46,292	286,007	131,989	390,941	(6,547)	848,682

* These reserve accounts comprise the consolidated reserves of RMB866,460,000 in the consolidated statement of financial position as at 31 August 2022 (2021: RMB802,390,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 AUGUST 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		56,025	52,013
Adjustments for:			
Finance costs	7	6,982	13,367
Bank interest income	5	(66)	(226)
Investment income from short-term investments measured at fair value through profit or loss	5	(516)	—
Depreciation of property, plant and equipment	13	37,432	35,158
Depreciation of right-of-use assets	14	2,602	483
Amortisation of other intangible assets	15	1,732	1,902
Government grants released		13,025	2,302
		117,216	104,999
(Decrease)/increase in prepayments, other receivables and other assets		(8,951)	17,004
Decrease in other payables and accruals		(13,505)	(17,101)
Government grants received		(6,187)	—
Increase in contract liabilities		43,635	67,255
Cash generated from operations		132,208	172,157
Interest received		66	226
Tax paid		—	—
Net cash flows from operating activities		132,274	172,383

continued/...

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 AUGUST 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in prepayments for purchase of property, plant and equipment and right-of-use asset		(3,060)	(45,876)
Purchases of items of property, plant and equipment		(100,706)	(155,608)
Additions to leasehold land included in right-of-use assets		(3,529)	—
Additions to other intangible assets	15	(2,165)	(1,471)
Purchase of short-term investments measured at fair value through profit or loss		(8,230)	—
Receipt from maturity of short-term investments measured at fair value through profit or loss		8,230	—
Investment income from short-term investments measured at fair value through profit or loss		516	—
Net cash flows used in investing activities		(108,944)	(202,955)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans and other borrowings		415,299	38,200
Repayment of bank and other borrowings		(444,845)	(78,990)
Interest paid		(6,674)	(8,401)
Interest element of sale and leaseback liabilities		(33,594)	(21,664)
Principal portion of sale and leaseback liabilities		(7,947)	75,505
Principal portion of rental payments		(1,789)	—
Payment for other non-current assets		(3,100)	(3,800)
Net cash flows (used in)/from financing activities		(82,650)	850
NET DECREASE IN CASH AND CASH EQUIVALENTS		(59,320)	(29,722)
Cash and cash equivalents at beginning of year		303,934	337,554
Effect of foreign exchange rate changes, net		8,473	(3,898)
CASH AND CASH EQUIVALENTS AT END OF YEAR		253,087	303,934
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	253,087	303,934

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 (“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		Principal activities
			Direct %	Indirect %	
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$16,000,000	–	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*# (Previously known as Harbin Xiangge Zhiye Co., Ltd. 哈爾濱祥閣置業有限公司) ("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 25 June 2003	RMB183,300,000	–	100	Provision of private higher education services
Nantong Junhua Science and Technology Innovation Park Co., Ltd. 南通峻華科創園有限公司*# ("Nantong Junhua")	PRC/Mainland China 1 December 2020	RMB201,880,000	–	100	Provision of technical and artificial intelligence 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.

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. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB"), and all values are rounded to the nearest thousand except when otherwise indicated.

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 2022. 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.

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.

2.1 BASIS OF PREPARATION *(Continued)*

Going concern

The Group recorded net current liabilities of RMB238,828,000 as at 31 August 2022. Included therein were the contract liabilities of RMB213,019,000 as at 31 August 2022, which will be settled by education services provided by the Group rather than settled by cash.

In view of the net current liabilities position, the directors of the Group have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Taking into account the financial resources available to the Group, including the internally generated funds from operation and existence of sufficient facility of RMB100,000,000 and the ability of management in adjusting the pace of its operation expansion, the directors of the Group are of the opinion that the Group is able to meet in full its financial obligations as and when they fall due for the foreseeable future and it is appropriate to prepare the audited consolidated financial statements on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's consolidated financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The amendments did not have any impact on the financial position and performance of the Group as the Group did not have any Hong Kong Interbank Offered Rate-based borrowings or London Interbank Offered Rate-based borrowings as at 31 August 2022.

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has adopted the amendment on 1 September 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.3 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.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[2]
Amendments to IFRS 17	*Insurance Contracts*[2, 5]
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*[2]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[3]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 1	*Classification of Liabilities with Covenants*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to IFRS Standards 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 Effective for annual periods beginning on or after 1 January 2024
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

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

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments replace the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and add guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are effective for annual periods beginning on or after 1 January 2023 and are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. The amendments do not require an entity to present separately non-current liabilities for which the entity's right to defer settlement is subject to compliance with future covenants within twelve months. Instead, the amendments require entities to disclose information about such covenants and related liabilities in the notes. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

2.4 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 and financial assets), 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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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.

2.4 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.

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. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

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.

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 lease. 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.

2.4 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.

2.4 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Subsequent measurement

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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 re-cognition 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

2.4 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 other payables and accruals, interest-bearing bank and other borrowings and interest accruals, 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, for 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

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 the 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

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.

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 scheme

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 the financial statements.

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 exchange rates that approximate to those prevailing at the dates of the transactions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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, Heilongjiang College and Nantong Junhua (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 13 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.

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 as 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 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:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers		
Tuition fees	219,617	180,062
Boarding fees	18,647	16,081
	238,264	196,143
Other income and gains		
Government grants:		
— Related to income	5,125	297
— Related to assets	249	187
Rental income:		
Fixed lease payments	694	659
Investment income from short-term investments measured at fair value through profit or loss	516	—
Bank interest income	66	226
Others	491	473
	7,141	1,842

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

Revenue from contracts with customers

(i) Disaggregated revenue information

	2022 RMB'000	2021 RMB'000
Timing of revenue recognition		
Tuition fees recognised over time	219,617	180,062
Boarding fees recognised over time	18,647	16,081
	238,264	196,143

The Group's contracts with students for college education programs and boarding services can be terminated anytime without compensation. Tuition and boarding fees are determined and paid by the students before the beginning 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:

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting year:		
Tuition fees	156,729	94,682
Boarding fees	12,655	7,447
	169,384	102,129

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 is arrived at after charging/(crediting):

	Notes	2022 RMB'000	2021 RMB'000
Depreciation of property, plant and equipment	13	37,432	35,158
Amortisation of other intangible assets*	15	1,732	1,902
Depreciation of right-of-use assets	14	2,602	483
Lease payments not included in the measurement of lease liabilities	16(c)	973	27
Auditor's remuneration		1,150	1,100
Central heating cost		7,695	5,144
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries		56,020	42,695
Pension scheme contributions (defined contribution scheme)#		11,477	7,941
		67,497	50,636
Foreign exchange differences, net**		1,851	3,288
Government grants			
— related to income***/****		(5,125)	(297)
— related to assets***/****		(249)	(187)
Bank interest income****		(66)	(226)
Investment income from short-term investments measured at fair value through profit or loss****		(516)	—

* Amortisation was included in "Cost of sales" and "Administrative expenses" in profit or loss during the years ended 31 August 2021 and 2022.

** The exchange loss was 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.

\# There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest on bank loans and other borrowings	21,001	27,837
Interest on sale and leaseback liabilities	30,964	24,830
Interest on lease liabilities	196	–
Subtotal	52,161	52,667
Interest capitalised (note 13(b))	(45,179)	(39,300)
	6,982	13,367
Interest rate/capitalisation rate of costs capitalised	4.00% to 11.39%	4.00% to 11.39%

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:

	2022 RMB'000	2021 RMB'000
Fees	1,479	1,360
Other emoluments:		
Salaries, allowances and benefits in kind	1,192	997
Pension scheme contributions	24	24
	1,216	1,021
	2,695	2,381

8. DIRECTORS' REMUNERATION *(Continued)*

(a) Independent non-executive directors

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

	2022 RMB'000	2021 RMB'000
Mr. Zhang Su	90	90
Mr. Cao Shaoshan	105	100
Mr. Chan Ngai Fan	88	83
	283	273

(b) Executive directors and the chief executive

2022	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)	820	413	—	1,233
Ms. Dong Ling	237	97	—	334
Mr. Che Wenge	—	428	—	428
Mr. Wang Yunfu	139	254	24	417
	1,196	1,192	24	2,412

2021	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)	776	240	—	1,016
Ms. Dong Ling	224	81	—	305
Mr. Che Wenge	—	428	—	428
Mr. Wang Yunfu	87	248	24	359
	1,087	997	24	2,108

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year ended 31 August 2022 include four (2021: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2021: one) highest paid employee who is neither a director nor chief executive of the Group, are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	226	219
Pension scheme contributions	–	–
	226	219

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

	Number of employees	
	2022	2021
Nil to HK$1,000,000	1	1

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.

10. INCOME TAX *(Continued)*

Pursuant to the PRC Corporate Income Tax Law and the respective regulations, except for Heilongjiang College, and Liankang Consulting, Junhua Consulting and Nantong Junhua which enjoyed the preferential rate of 20% under the *Notice Regarding the Implementation on Tax Reduction/Exemption Policies for Small and Micro-sized Enterprises (SEMs)*, 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.

According to the decision (the "2016 Decision") of the Standing Committee of the National People's Congress on Amending the Private Schools Promotion Law (《全國人民代表大會常務委員會關於修改<中華人民共和國民辦教育促進法>的決定》), which was promulgated on 7 November 2016, and came into force on 1 September 2017, private schools are no longer being classified into either schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns. Instead, the school sponsor(s) of a private school may choose the school being a for-profit private school or a non-profit private school, with the exception that the nine-year compulsory education provided by the school must be non-profit.

On 14 May 2021, the State Council released the Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) with an effective date of 1 September 2021 (the "2021 Implementation Rules"). The 2021 Implementation Rules are the detailed implementation rules of the Law for Promoting Private Education of the PRC. Pursuant to the 2016 Decision and the 2021 Implementation Rules, a private school may enjoy the preferential tax policies, which are not defined under neither the 2016 Decision nor the 2021 Implementation Rules, as stipulated by the related government authorities and a non-profit school may enjoy the same tax policies as enjoyed by a public school.

As at the date of approval of these financial statements, the PRC School was in the process of classification registration and remained as a private non-enterprise unit.

Considering that the relevant taxation policy regarding schools for which the school sponsors require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns remains unchanged and no further new and specific tax implementation regulations are announced, if the school nature has not yet been changed, in accordance with the tax compliance confirmations obtained from the local tax authorities and the Group's external legal advisor's comments on the preferential tax treatments for the current year, the PRC School did not pay corporate income tax for the income from formal educational services and has enjoyed the preferential tax treatments during the year of 2022. Following the completion of the registration of the PRC School as for-profit private school, the PRC School may be subject to corporate income tax at a rate of 25% in respect of service fees it receives from the provision of formal educational services, if it does not enjoy any preferential tax treatment. As such, significant impact on the Group's profit and loss may arise.

10. INCOME TAX *(Continued)*

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

	2022 RMB'000	2021 RMB'000
Current income tax — Mainland China	—	—

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 are as follows:

	2022 RMB'000	2021 RMB'000
Profit before tax	56,025	52,013
Tax at the statutory tax rates	16,931	16,367
Lower tax rates enacted by local authority	57	925
Income not subject to tax	(18,735)	(18,600)
Expenses not deductible for tax	378	26
Tax losses not recognised	1,976	1,614
Tax losses utilised from previous periods	(607)	(332)
Tax charge at the Group's effective rates	—	—

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 2021 and 2022, 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 2021 and 2022, 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 RMB429,399,000, and RMB507,345,000, respectively.

10. INCOME TAX *(Continued)*

As at 31 August 2021 and 2022, the Group had tax losses arising in Mainland China of RMB8,252,000 and RMB12,606,000, respectively, which would expire in one to five years for offsetting against future taxable profits. The Group also had tax losses arising in Hong Kong of RMB4,195,000 (2021: RMB1,368,000), 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. DIVIDENDS

No dividend has been paid or declared by the Company in the current year (2021: Nil).

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 666,667,000 (2021: 666,667,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 August 2022 and 2021.

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

	2022 RMB'000	2021 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	56,025	52,013

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	666,667,000	666,667,000

13. 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 2022						
At 1 September 2021:						
Cost	1,224,530	54,291	5,096	66,649	425,758	1,776,324
Accumulated depreciation	(134,979)	(28,014)	(3,336)	(35,583)	–	(201,912)
Net carrying amount	1,089,551	26,277	1,760	31,066	425,758	1,574,412
At 1 September 2021, net of accumulated depreciation	1,089,551	26,277	1,760	31,066	425,758	1,574,412
Additions	382	1,662	–	10,028	128,316	140,388
Depreciation provided during the year	(26,214)	(4,208)	(447)	(6,563)	–	(37,432)
Transfers	120,072	–	–	2,295	(122,367)	–
At 31 August 2022, net of accumulated depreciation	1,183,791	23,731	1,313	36,826	431,707	1,677,368
At 31 August 2022:						
Cost	1,344,984	55,953	5,096	78,972	431,707	1,916,712
Accumulated depreciation	(161,193)	(32,222)	(3,783)	(42,146)	–	(239,344)
Net carrying amount	1,183,791	23,731	1,313	36,826	431,707	1,677,368

	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 2021						
At 1 September 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
At 1 September 2020, net of accumulated depreciation	922,049	19,874	1,938	20,677	486,834	1,451,372
Additions	2,302	10,729	287	15,367	129,513	158,198
Depreciation provided during the year	(25,389)	(4,326)	(465)	(4,978)	–	(35,158)
Transfers	190,589	–	–	–	(190,589)	–
At 31 August 2021, net of accumulated depreciation	1,089,551	26,277	1,760	31,066	425,758	1,574,412
At 31 August 2021:						
Cost	1,224,530	54,291	5,096	66,649	425,758	1,776,324
Accumulated depreciation	(134,979)	(28,014)	(3,336)	(35,583)	–	(201,912)
Net carrying amount	1,089,551	26,277	1,760	31,066	425,758	1,574,412

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

The Group's buildings are situated in Mainland China.

(a) As at 31 August 2022, the Group was in the customary process of obtaining the relevant property ownership certificates for certain buildings with an aggregate net carrying amount of approximately RMB483,000 (2021: RMB9,734,000). As at the end of the 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 RMB45,179,000 for the year ended 31 August 2022 (2021: RMB39,300,000) 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 amount of devices and equipment, and furniture, fixtures and others was RMB176,614,000 as at 31 August 2022 (2021: RMB178,952,000).

14. LEASES

The Group as a lessee

The Group has lease contracts for buildings used in its operations. 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. Leases of buildings generally have lease terms of 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(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:

	Buildings RMB'000	Leasehold land RMB'000	Total RMB'000
As at 1 September 2020	—	15,981	15,981
Recognised in profit or loss during the year	—	(483)	(483)
As at 31 August 2021 and 1 September 2021	—	15,498	15,498
Additions	4,986	48,708	53,694
Recognised in profit or loss during the year	(1,385)	(1,217)	(2,602)
As at 31 August 2022	3,601	62,989	66,590

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

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

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.

(b) Lease liabilities

The carrying amount of lease liabilities (included under interest-bearing bank and other borrowings) and the movements during the year are as follows:

	2022 RMB'000
Carrying amount at beginning of the year	–
New leases	4,986
Accretion of interest recognised during the year	196
Payments	(1,789)
Carrying amount at end of the year	3,393
Analysed into:	
Current portion	1,642
Non-current portion	1,751

The maturity analysis of lease liabilities is disclosed in note 29 to the financial statements.

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

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	196	–
Depreciation charge of right-of-use assets	2,602	483
Expense relating to short-term leases	60	23
Expense relating to leases of low-value assets	913	4
Total amount recognised in profit or loss	3,771	510

(d) The total cash outflow for leases is disclosed in note 24(b) to the financial statements.

14. LEASES *(Continued)*

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 four years. Rental income recognised by the Group during the year was RMB694,000 (2021: RMB659,000), details of which are included in note 5 to the financial statements.

As at 31 August 2022 and 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 RMB'000	2021 RMB'000
Within one year	432	739
After one year but within two years	299	622
After two years but within three years	30	179
After three years but within four years	27	—
	788	1,540

15. OTHER INTANGIBLE ASSETS

	Computer software RMB'000
31 August 2022	
Cost at 1 September 2021, net of accumulated amortisation	2,604
Additions	2,165
Amortisation provided during the year (note 6)	(1,732)
At 31 August 2022	3,037
At 31 August 2022:	
Cost	14,919
Accumulated amortisation	(11,882)
Net carrying amount	3,037

	Computer software RMB'000
31 August 2021	
Cost at 1 September 2020, net of accumulated amortisation	3,035
Additions	1,471
Amortisation provided during the year (note 6)	(1,902)
At 31 August 2021	2,604
At 31 August 2021:	
Cost	12,754
Accumulated amortisation	(10,150)
Net carrying amount	2,604

16. OTHER NON-CURRENT ASSETS

	2022 RMB'000	2021 RMB'000
Performance deposits paid to secure:		
Long term sale and leaseback liabilities	7,625	8,000

17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Prepayments to suppliers	8,006	4,259
Rental receivables	356	208
Staff advances	445	792
Deposits	3,791	—
Receivables from the ultimate holding company	4,824	—
Other receivables	12,892	12,629
	30,314	17,888
Impairment allowance	—	—
	30,314	17,888

The 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 other receivables was minimal (2021: minimal).

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

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.

18. CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	253,087	303,934
Cash and cash equivalents denominated in:		
— RMB	176,353	303,914
— Hong Kong dollars (HK$)	389	16
— United States dollars (US$)	76,345	4

As at 31 August 2022, the Group's cash and cash equivalents denominated in RMB amounted to RMB176,353,000 (2021: RMB303,914,000). 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.

19. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligations as at 31 August 2022 and will be expected to be recognised within one year:

	2022 RMB'000	2021 RMB'000
Tuition fees	196,293	156,729
Boarding fees	16,726	12,655
	213,019	169,384

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 proportionately in relation to the service not yet provided.

20. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Payables for purchase of property, plant and equipment	34,438	45,833
Payables for co-operation costs	1,481	18,404
Miscellaneous expenses received from students (note (i))	16,215	16,034
Payables for salaries and welfares	6,690	5,781
Payables for labour union expenditure	2,826	2,132
Payables for central heating costs	710	1,073
Other tax payable	29	24
Other payables	12,482	10,490
	74,871	99,771
Current portion	74,871	81,367
Non-current portion:		
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.

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

	2022			2021		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Sale and leaseback liabilities	8.92–11.39	2023	178,030	8.92–11.39	2022	123,757
Bank loans — secured	—	—	—	5.25	2022	10,000
Bank loans — unsecured	5.25	2023	36,689	5.25	2022	25,368
Current portion of long term bank loans — secured	5.15	2023	6,345	5.15	2022	12,476
Other borrowings — secured	14.09	2023	4,298	14.09	2022	10,933
Other borrowings — unsecured	—	—	—	7.80	2022	15,234
Lease liabilities (note 14(b))	6.64	2023	1,642			—
			227,004			197,768
Non-current						
Sale and leaseback liabilities	8.92–11.39	2024–2025	128,692	8.92–11.39	2023–2025	186,140
Bank loans — secured	5.15	2024–2025	37,000	5.15	2022–2025	50,001
Other borrowing — unsecured	4.00	2030	461,123	4.00	2024	443,636
Lease liabilities (note 14(b))	6.64	2024	1,751			—
			628,566			679,777
			855,570			877,545

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

	2022 RMB'000	2021 RMB'000
Analysed into:		
Sale and leaseback liabilities:		
Within one year	178,030	123,757
In the second year	111,463	137,448
In the third to fifth years, inclusive	17,229	48,692
	306,722	309,897
Lease liabilities:		
Within one year	1,642	—
In the second year	1,751	—
	3,393	—
Bank loans repayable:		
Within one year	43,034	47,844
In the second year	37,000	13,001
In the third to fifth years, inclusive	—	37,000
	80,034	97,845
Other borrowings repayable:		
Within one year or on demand	4,298	26,167
In the second year	—	—
In the third to fifth years, inclusive	—	443,636
Over five years	461,123	—
	465,421	469,803
	855,570	877,545

21. 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:

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

	2022 RMB'000	2021 RMB'000
Mr. Liu Laixiang and Ms. Dong Ling	34,990	50,602
Harbin Xiangzhen Yincheng Real Estate Co., Ltd. ("Yincheng Zhiye") 哈爾濱祥振引城置業有限公司	–	15,234
	34,990	65,836

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

	2022 RMB'000	2021 RMB'000
Zhonghong United Financing Guarantee Limited ("Zhonghong United Financing") 中鴻聯合融資擔保有限公司	39,576	62,476

(b) Pledge of a 100% equity interest in Liankang Consulting for other loans and interest accruals of RMB4,298,000 and RMB10,932,000 as at 31 August 2022 and 31 August 2021, respectively.

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

(a) The following related parties:

	2022 RMB'000	2021 RMB'000
Jointly, Mr. Liu Laixiang and Ms. Dong Ling	261,287	201,742
Jointly, Mr. Che Wenge and Mr. Wang Yunfu	–	15,234
Yincheng Zhiye	54,470	77,008
Daqing Xiangge Enterprise Management Limited ("Daqing Xiangge") 大慶市祥閣企業管理有限公司	5,675	10,504
Harbin Junfengda Property Development Limited ("Junfengda Property") 哈爾濱竣峰達房地產開發有限公司	39,576	54,250
	361,008	358,738

(b) The following third party:

	2022 RMB'000	2021 RMB'000
Zhonghong United Financing	39,576	62,476

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

The Group's other borrowings are unsecured, bear interest at a rate of 4.00% (2021: 4.00%) and will be repayable in 2030.

22. SHARE CAPITAL

Shares

	2022 RMB'000	2021 RMB'000
Authorised:		
1,000,000,000 ordinary shares of US$0.01 each as at 31 August 2022 (2021: 1,000,000,000 ordinary shares)	69,714	69,714
Issued and fully paid:		
666,667,000 ordinary shares as at 31 August 2022 (2021: 666,667,000 ordinary shares)	46,292	46,292

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

	Number of shares in issue	**Share capital** RMB'000
At 1 September 2020, 31 August 2021, 1 September 2021 and 31 August 2022	666,667,000	46,292

23. RESERVES

(a) Capital reserve

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

23. RESERVES *(Continued)*

(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, since 1 September 2021, a for-profit private school is required to appropriate to the development fund of not less than 10% of the audited annual net income of the relevant school, while a non-profit private school is required to appropriate to the development fund of not less than 10% of the audited annual increase in non-restricted net assets of the relevant school. The development fund is for the construction or maintenance of the school, or procurement or upgrading of educational equipment.

24. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB4,986,000 (2021: nil) and RMB4,986,000 (2021: nil), respectively, in respect of lease arrangements for buildings. Prepayments for purchase of property, plant and equipment and right-of-use assets of RMB51,077,000 were transferred to property, plant and equipment and right-of-use assets for the year (2021: RMB17,004,000).

(b) Changes in liabilities arising from financing activities

2022

	Lease liabilities RMB'000	Interest-bearing bank and other borrowings and interest accruals (other than lease liabilities) RMB'000
As at 1 September 2021	—	877,545
New leases	4,986	—
Changes from financing cash flows	(1,789)	(77,761)
Foreign exchange movement	—	428
Interest accretion	196	51,965
As at 31 August 2022	3,393	852,177

2021

	Interest-bearing bank and other borrowings and interest accruals RMB'000
As at 1 September 2020	820,816
Changes from financing cash flows	4,650
Foreign exchange movement	(588)
Interest accretion	52,667
As at 31 August 2021	877,545

24. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within financing activities	1,789	–

25. COMMITMENTS

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Buildings	29,544	35,135

26. 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
Junhua Education Limited	Ultimate holding company
Daqing Xiangge	Company controlled by Mr. Liu Laixiang
Harbin Xiangrikui Intelligent Nursing Equipment Co., Ltd. ("Xiangrikui Equipment") 哈爾濱向日葵智能護理設備有限公司	Company controlled by Mr. Liu Laixiang
Huizhi Jinhe Software Engineering Limited ("Huizhi Jinhe") 黑龍江匯智金合軟件工程股份有限公司	Company controlled by Mr. Liu Laixiang
Junfengda Property	A subsidiary of Harbin Xiangge until 20 January 2020 and of Yincheng Zhiye since 20 January 2020

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

(b) Transactions with related parties

	2022 RMB'000	2021 RMB'000
Advance from the ultimate holding company		
Junhua Education Limited	4,824	–
Purchases of services from companies of which a director of the Company is a controlling shareholder:		
Huizhi Jinhe	700	–
Xiangrikui Equipment	1,731	–
	2,431	–

(c) Outstanding balances with related parties

	2022 RMB'000	2021 RMB'000
Receivables from the ultimate holding company:		
Junhua Education Limited	4,824	–
Prepayments from other related party:		
Huizhi Jinhe	2,000	–

(d) Guarantees provided by related parties

Related parties listed in note 21 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 an aggregate carrying amount as at 31 August 2022 of RMB34,990,000 (2021: RMB65,836,000) were secured by pledges over the properties owned by related parties listed in note 21 to the financial statements.

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

(e) Compensation of key management personnel of the Group

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	2,949	2,630
Pension scheme contributions	44	43
	2,993	2,673

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

27. 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

	2022 RMB'000	2021 RMB'000
Other non-current assets	7,625	8,000
Financial assets included in prepayments, other receivables and other assets	21,863	12,837
Cash and cash equivalents	253,087	303,934
	282,575	324,771

Financial liabilities at amortised cost

	2022 RMB'000	2021 RMB'000
Financial liabilities included in other payables and accruals	49,111	57,396
Interest-bearing bank and other borrowings and interest accruals — current	227,004	197,768
Interest-bearing bank and other borrowings and interest accruals — non-current	628,566	679,777
Other long term liability	—	18,404
	904,681	953,345

28. 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:

	2022 Carrying amounts RMB'000	2022 Fair values RMB'000
Financial assets		
Other non-current assets	7,625	6,517
Financial liabilities		
Interest-bearing bank and other borrowings and interest accruals (other than lease liabilities)	852,177	711,491

	2021 Carrying amounts RMB'000	2021 Fair values RMB'000
Financial assets		
Other non-current assets	8,000	6,386
Financial liabilities		
Interest-bearing bank and other borrowings and interest accruals (other than lease liabilities)	877,545	774,279
Other long term liability	18,404	18,404
	895,949	792,683

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, 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, and other long term liability as at the end of each year were assessed to be insignificant.

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

Fair value hierarchy

The Group did not have any financial assets or liabilities measured at fair value as at 31 August 2021 and 2022.

During the years ended 31 August 2021 and 2022, 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 2022

	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	—	6,517	—	6,517

As at 31 August 2021

	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	—	6,386	—	6,386

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

Fair value hierarchy *(Continued)*

Liabilities for which fair values are disclosed

As at 31 August 2022

	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 (other than lease liabilities)	–	711,491	–	711,491

As at 31 August 2021

	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 (other than lease liabilities)	–	774,279	–	774,279
Other long term liability	–	18,404	–	18,404
	–	792,683	–	792,683

29. 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, 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.

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 21 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 2021 and 2022 and it is assumed that the amounts of liabilities outstanding at the end of years 2021 and 2022 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 2022 would decrease by RMB215,000 (2021: RMB268,000). This is mainly attributable to the Group's exposure to interest rates on its bank loans with variable rates.

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

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from cash and cash equivalents and other borrowings denominated in US$.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ 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
2022			
If the RMB weakens against the US$	5%	344	344
If the RMB strengthens against the US$	(5%)	(344)	(344)
2021			
If the RMB weakens against the US$	5%	485	485
If the RMB strengthens against the US$	(5%)	(485)	(485)

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 significant 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.

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

Credit risk *(Continued)*

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 2021 and 2022

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 2021 and 2022. The amounts presented are gross carrying amounts for financial assets.

	As at 31 August 2022				
	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*	21,863	–	–	–	21,863
Cash and cash equivalents					
— Not yet past due	253,087	–	–	–	253,087
Other non-current assets					
— Not yet past due	7,625	–	–	–	7,625
	282,575	–	–	–	282,575

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

Credit risk *(Continued)*

Maximum exposure and year-end staging as at 31 August 2021 and 2022 *(Continued)*

	As at 31 August 2021				
	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets					
— Normal*	12,837	—	—	—	12,837
Cash and cash equivalents					
— Not yet past due	303,934	—	—	—	303,934
Other non-current assets					
— Not yet past due	8,000	—	—	—	8,000
	324,771	—	—	—	324,771

* 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. 29% of the Group's debts would mature in less than one year as at 31 August 2022 (2021: 23%), based on the carrying value of borrowings reflected in the financial statements.

29. 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 2022				
	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	11,258	37,853	—	—	49,111
Lease liabilities	—	1,789	1,789	—	3,578
Interest-bearing bank and other borrowings and interest accruals (excluding lease liabilities)	—	244,515	176,426	488,866	909,807
	11,258	284,157	178,215	488,866	962,496

	As at 31 August 2021				
	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	10,490	46,906	—	—	57,396
Interest-bearing bank and other borrowings and interest accruals	—	232,963	672,038	—	905,001
Other long term liability	—	—	18,404	—	18,404
	10,490	279,869	690,442	—	980,801

29. 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:

	2022 RMB'000	2021 RMB'000
Total liabilities	1,152,600	1,149,002
Total assets	2,065,352	1,997,684
Debt-to-asset ratios	56%	58%

30. EVENTS AFTER THE REPORTING PERIOD

There were no significant events taken place subsequent to 31 August 2022 and up to the date of approval of these financial statements.

31. 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:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	3	3
Total non-current assets	3	3
CURRENT ASSETS		
Prepayments, other receivables and other assets	7,618	–
Due from subsidiaries	196,451	142,358
Cash and cash equivalents	65,811	125,400
Total current assets	269,880	267,758
CURRENT LIABILITIES		
Other payables and accruals	376	180
Interest-bearing bank and other borrowings and interest accruals	4,298	10,933
Due to subsidiaries	3	3
Total current liabilities	4,677	11,116
NET CURRENT ASSETS	265,203	256,642
TOTAL ASSETS LESS CURRENT LIABILITIES	265,206	256,645
Net assets	265,206	256,645
EQUITY		
Share capital	46,292	46,292
Reserves (note)	218,914	210,353
Total equity	265,206	256,645

31. 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 2021	250,801	(28,747)	(11,701)	210,353
Loss for the year	–	(10,736)	–	(10,736)
Other comprehensive income for the year:				
Exchange differences on translation of foreign operations	–	–	19,297	19,297
Total comprehensive income for the year	–	(10,736)	19,297	8,561
At 31 August 2022	250,801	(39,483)	7,596	218,914

	Capital reserve RMB'000	Accumulated losses RMB'000	Exchange fluctuation RMB'000	Total reserves RMB'000
At 1 September 2020	250,801	(15,757)	(3,273)	231,771
Loss for the year	–	(12,990)	–	(12,990)
Other comprehensive loss for the year:				
Exchange differences on translation of foreign operations	–	–	(8,428)	(8,428)
Total comprehensive loss for the year	–	(12,990)	(8,428)	(21,418)
At 31 August 2021	250,801	(28,747)	(11,701)	210,353

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 November 2022.

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"	the board of directors of the Company
"BVI"	British Virgin Islands
"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
"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 annual 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
"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 June 17, 2019
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed thereto in the Listing Rules
"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 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
"Hanan Campus"	the campus of Heilongjiang College, located at North of Yucai Road, West Street of Limin Development Zone, Harbin City, Heilongjiang Province, the PRC, with aggregated gross site area of approximately 397,914.04 sq.m.
"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 Zhiye Co., Ltd.* (哈爾濱祥閣置業有限公司), 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" 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
"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
"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
"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
"Nantong Junhua"	Nantong Junhua Kechuangyuan Ltd* (南通峻華科創園有限公司), a limited liability company established under the laws of the PRC, which is held as to 55.97% by Heilongjian College and 44.03% by Leader Education (HK) Limited
"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"	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, Heilongjiang College of Business and Technology and Nantong Junhua

"Prospectus"	the prospectus of the Company dated 27 July 2020
"Qiqihar College"	Qiqihar Institute of Technology* (齊齊哈爾學院), a junior college (普通專科院校) with its existing campus in Qiqihar, Heilongjiang Province, the PRC
"RMB"	Renminbi, the lawful currency of the PRC
"Remuneration Committee"	the remuneration committee of the Company
"Reporting Period"	the year ended 31 August 2022
"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
"School Sponsor's Powers of Attorney"	the school sponsor's powers of attorney executed by Harbin Xiangge 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, located at Xinxing Dongguang Village, Zhoujia Dongyue Village, Shuangcheng District, Harbin City, Heilongjiang Province with aggregated gross site area of approximately 144,095 sq.m.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in sections 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong
"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.