

*The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道

**ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NEUSOFT EDUCATION TECHNOLOGY CO. LIMITED AND CLSA CAPITAL MARKETS LIMITED**

***Introduction***

We report on the historical financial information of Neusoft Education Technology Co. Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-100, which comprises the consolidated statements of financial position as at 31 December 2017, 2018 and 2019 and 31 March 2020, the Company's statements of financial position as at 31 December 2018 and 2019 and 31 March 2020 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2017, 2018 and 2019 and the three months ended 31 March 2020 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-100 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 17 September 2020 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

***Directors' responsibility for the Historical Financial Information***

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

***Reporting accountant's responsibility***

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by

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the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Opinion***

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at 31 December 2018 and 2019 and 31 March 2020 and the consolidated financial position of the Group as at 31 December 2017, 2018 and 2019 and 31 March 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information.

### **Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31 March 2019 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

*Dividends*

We refer to Note 14 to the Historical Financial Information which contains information about the dividends paid by the companies now comprising the Group in respect of the Track Record Period and states that no dividend has been paid by Neusoft Education Technology Co. Limited in respect of the Track Record Period.

*No statutory financial statements for the Company*

No statutory financial statements have been prepared for the Company since its date of incorporation.

**PricewaterhouseCoopers**  
Certified Public Accountants  
Hong Kong, 17 September 2020

## I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

## Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report. The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all amounts are rounded to the nearest thousand yuan (RMB'000), unless otherwise stated.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 December			Three months ended 31 March	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	6	731,390	853,167	958,228	171,394	158,867
Cost of revenue	10	(496,958)	(580,884)	(635,226)	(143,760)	(129,464)
<b>Gross profit</b>		<b>234,432</b>	<b>272,283</b>	<b>323,002</b>	<b>27,634</b>	<b>29,403</b>
Selling expenses	10	(9,190)	(10,588)	(11,239)	(1,901)	(3,590)
Administrative expenses	10	(65,854)	(85,252)	(109,185)	(20,042)	(18,727)
Research and development expenses	10	(24,019)	(19,819)	(20,445)	(6,131)	(3,980)
Other income	7	74,405	65,807	71,534	15,390	17,319
Other expense	8	(19,008)	(19,206)	(18,936)	(4,202)	(4,280)
Other gains	9	6,084	4,346	944	666	939
<b>Operating profit</b>		<b>196,850</b>	<b>207,571</b>	<b>235,675</b>	<b>11,414</b>	<b>17,084</b>
Finance income	12	1,041	1,973	3,387	596	891
Finance expenses	12	(36,308)	(38,539)	(40,094)	(9,353)	(9,413)
Finance expenses-net	12	(35,267)	(36,566)	(36,707)	(8,757)	(8,522)
<b>Profit before income tax</b>		<b>161,583</b>	<b>171,005</b>	<b>198,968</b>	<b>2,657</b>	<b>8,562</b>
Income tax (expense)/credit	13	(18,368)	(7,327)	(23,953)	1,890	3,671
<b>Profit for the year/period</b>		<b>143,215</b>	<b>163,678</b>	<b>175,015</b>	<b>4,547</b>	<b>12,233</b>
<b>Profit attributable to:</b>						
Owners of the Company		114,818	131,991	139,213	3,661	9,706
Non-controlling interests		28,397	31,687	35,802	886	2,527
		<u>143,215</u>	<u>163,678</u>	<u>175,015</u>	<u>4,547</u>	<u>12,233</u>
<b>Other comprehensive income/(loss)</b>						
Items that will not be reclassified to profit or loss						
Exchange differences on translation		—	1	(15)	5	(33)
<b>Total comprehensive income</b>		<u>143,215</u>	<u>163,679</u>	<u>175,000</u>	<u>4,552</u>	<u>12,200</u>
<b>Total comprehensive income attributable to:</b>						
Owners of the Company		114,818	131,992	139,198	3,666	9,673
Non-controlling interests		28,397	31,687	35,802	886	2,527
		<u>143,215</u>	<u>163,679</u>	<u>175,000</u>	<u>4,552</u>	<u>12,200</u>
<b>Earnings per share attributable to owners of the Company (RMB) — Basic and diluted</b>	15	<u>0.23</u>	<u>0.26</u>	<u>0.28</u>	<u>0.01</u>	<u>0.02</u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December			As at 31 March
		2017	2018	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Right-of-use assets	16	279,011	311,971	442,840	448,198
Property, plant and equipment	17	1,108,960	1,076,197	1,202,367	1,240,805
Investment in associate		—	—	—	711
Intangible assets	18	11,546	10,224	10,736	303,356
Deferred income tax assets	19	34,333	36,458	34,809	42,823
Prepayments, deposits and other receivables	22	1,744	1,200	237,157	237,088
<b>Total non-current assets</b>		<u>1,435,594</u>	<u>1,436,050</u>	<u>1,927,909</u>	<u>2,272,981</u>
<b>Current assets</b>					
Inventories		1,160	2,781	3,063	4,462
Trade and notes receivables	21	24,103	14,592	6,148	17,108
Prepayments, deposits and other receivables	22	160,598	45,935	45,909	48,291
Financial assets at fair value through profit or loss	23	2,082	87,794	50	192,660
Restricted cash	24	16	13,682	10,215	11,694
Cash and cash equivalents	24	332,558	214,834	562,882	455,013
<b>Total current assets</b>		<u>520,517</u>	<u>379,618</u>	<u>628,267</u>	<u>729,228</u>
<b>Total assets</b>		<u>1,956,111</u>	<u>1,815,668</u>	<u>2,556,176</u>	<u>3,002,209</u>
<b>EQUITY</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	25	—	—	88	88
Share premium	26	—	—	2,046,481	2,046,481
Reserves	26	490,076	355,219	(1,678,930)	(1,678,963)
Retained earnings		11,312	80,876	207,316	217,022
<b>Subtotal</b>		<u>501,388</u>	<u>436,095</u>	<u>574,955</u>	<u>584,628</u>
Non-controlling interest		125,365	105,968	137,972	171,495
<b>Total equity</b>		<u>626,753</u>	<u>542,063</u>	<u>712,927</u>	<u>756,123</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Trade and other payables	29	80	—	—	675
Borrowings	30	188,000	305,940	525,634	623,670
Deferred tax liabilities	19	9,869	8,706	6,779	45,805
Lease liabilities	28	4,621	44,456	39,647	44,551
Deferred income	31	30,569	25,928	26,865	29,022
<b>Total non-current liabilities</b>		<u>233,139</u>	<u>385,030</u>	<u>598,925</u>	<u>743,723</u>
<b>Current liabilities</b>					
Trade and other payables	29	402,920	163,827	226,531	618,549
Current income tax liabilities		5,430	7,214	9,210	6,586
Contract liabilities	6	411,766	449,944	489,436	349,334
Borrowings	30	238,500	222,040	473,164	475,164
Lease liabilities	28	3,026	7,699	5,601	9,983
Deferred income	31	34,577	37,851	40,382	42,747
<b>Total current liabilities</b>		<u>1,096,219</u>	<u>888,575</u>	<u>1,244,324</u>	<u>1,502,363</u>
<b>Total liabilities</b>		<u>1,329,358</u>	<u>1,273,605</u>	<u>1,843,249</u>	<u>2,246,086</u>
<b>Total equity and liabilities</b>		<u>1,956,111</u>	<u>1,815,668</u>	<u>2,556,176</u>	<u>3,002,209</u>

## COMPANY'S STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December		As at
		2018	2019	31 March
		RMB'000	RMB'000	2020
				RMB'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Investments in subsidiaries .....		—	2,083,984	2,125,674
<b>Total non-current assets</b> .....		—	2,083,984	2,125,674
<b>Current assets</b>				
Cash and cash equivalents .....		—	10	60
Prepayments, deposits and other receivables .....		2,908	4,138	4,309
<b>Total current assets</b> .....		2,908	4,148	4,369
<b>Total assets</b> .....		2,908	2,088,132	2,130,043
<b>EQUITY</b>				
<b>Equity attributable to owners of the Company</b>				
Share capital .....	25	88	88	88
Share premium .....	26	—	2,046,481	2,046,481
Reserves .....		1	37,217	78,620
Accumulated losses .....		(9,445)	(14,119)	(14,426)
<b>Total equity</b> .....		(9,356)	2,069,667	2,110,763
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables .....		12,264	18,465	19,280
<b>Total current liabilities</b> .....		12,264	18,465	19,280
<b>Total liabilities</b> .....		12,264	18,465	19,280
<b>Total equity and liabilities</b> .....		2,908	2,088,132	2,130,043

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Note	Attributable to owners of the Company										
	Share capital	Share premium	Combined share capital	Merge reserve	Capital reserve	Statutory reserve	Other reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2017</b> .....	—	—	306,308	—	61,780	106,737	—	(77,533)	397,292	103,069	500,361
<b>Comprehensive income</b>											
Profit for the year .....	—	—	—	—	—	—	—	114,818	114,818	28,397	143,215
<b>Transactions with owners</b>											
Dividends declared or paid .....	—	—	—	—	—	—	—	(20,467)	(20,467)	(7,389)	(27,856)
Profit appropriation to statutory reserves .....	26(a)	—	—	—	—	5,506	—	(5,506)	—	—	—
Transactions with non-controlling interests .....	26(b)	—	—	—	119	—	—	—	119	(1,503)	(1,384)
Deemed contribution from owners .....	26(c)	—	—	—	9,626	—	—	—	9,626	2,791	12,417
		—	—	—	9,745	5,506	—	(25,973)	(10,722)	(6,101)	(16,823)
<b>Balance at 31 December 2017</b> .....		—	306,308	—	71,525	112,243	—	11,312	501,388	125,365	626,753

## APPENDIX I

## ACCOUNTANT'S REPORT

Note	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Combined share capital	Merge reserve	Capital reserve	Statutory reserve	Other reserve	Retained earnings	Sub-total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
<b>Balance at 1 January 2018</b>	—	—	306,308	—	71,525	112,243	—	11,312	501,388	125,365	626,753	
<b>Comprehensive income</b>												
Profit for the year	—	—	—	—	—	—	—	131,991	131,991	31,687	163,678	
Other comprehensive income	—	—	—	—	—	—	1	—	1	—	1	
<b>Total comprehensive income</b>	—	—	—	—	—	—	1	131,991	131,992	31,687	163,679	
<b>Transactions with owners</b>												
Dividends declared or paid	—	—	—	—	—	—	—	(45,877)	(45,877)	(13,065)	(58,942)	
Profit appropriation to statutory reserves	26(a)	—	—	—	—	16,550	—	(16,550)	—	—	—	
Deemed distribution to owners	26(c)	—	—	—	(84,150)	—	—	—	(84,150)	(23,865)	(108,015)	
Deemed distribution — cash consideration	26(d)	—	—	(16,164)	—	(51,182)	—	—	(67,346)	(16,654)	(84,000)	
Capital injection from owners and non-controlling interests		—	88	—	—	—	—	—	88	2,500	2,588	
		—	(16,076)	—	(135,332)	16,550	—	(62,427)	(197,285)	(51,084)	(248,369)	
<b>Balance at 31 December 2018</b>		—	290,232	—	(63,807)	128,793	1	80,876	436,095	105,968	542,063	



## APPENDIX I

## ACCOUNTANT'S REPORT

Note	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Combined share capital	Merge reserve	Capital reserve	Statutory reserve	Other reserve	Retained earnings	Sub-total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
<b>Balance at 1 January 2019</b>	—	—	290,232	—	(63,807)	128,793	1	80,876	436,095	105,968	542,063	
<b>Comprehensive income/(loss)</b>												
Profit for the year	—	—	—	—	—	—	—	139,213	139,213	35,802	175,015	
Other comprehensive loss	—	—	—	—	—	—	(15)	—	(15)	—	(15)	
<b>Total comprehensive income</b>	—	—	—	—	—	—	(15)	139,213	139,198	35,802	175,000	
<b>Transactions with owners</b>												
Completion of reorganisation	88	2,046,481	(290,232)	(1,756,337)	—	—	—	—	—	—	—	
Profit appropriation to statutory reserves	26(a)	—	—	—	—	12,773	—	(12,773)	—	—	—	
Dividends declared or paid	14	—	—	—	—	—	—	—	—	(3,536)	(3,536)	
Transactions with non-controlling interests	26(b)	—	—	—	(338)	—	—	—	(338)	(262)	(600)	
	88	2,046,481	(290,232)	(1,756,337)	(338)	12,773	—	(12,773)	(338)	(3,798)	(4,136)	
<b>Balance at 31 December 2019</b>	88	2,046,481	—	(1,756,337)	(64,145)	141,566	(14)	207,316	574,955	137,972	712,927	

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## ACCOUNTANT'S REPORT

Note	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Combined share capital	Merge reserve	Capital reserve	Statutory reserve	Other reserve	Retained earnings	Sub-total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
<b>Balance at</b>												
<b>1 January</b>												
<b>2020</b> .....	88	2,046,481	—	(1,756,337)	(64,145)	141,566	(14)	207,316	574,955	137,972	712,927	
<b>Comprehensive income/(loss)</b>												
Profit for the period .....	—	—	—	—	—	—	—	9,706	9,706	2,527	12,233	
Other comprehensive loss .....	—	—	—	—	—	—	(33)	—	(33)	—	(33)	
<b>Total comprehensive income</b>												
	—	—	—	—	—	—	(33)	9,706	9,673	2,527	12,200	
<b>Transactions with owners</b>												
Acquisition of a subsidiary ... 34	—	—	—	—	—	—	—	—	—	30,996	30,996	
<b>Balance at</b>												
<b>31 March</b>												
<b>2020</b> .....	88	2,046,481	—	(1,756,337)	(64,145)	141,566	(47)	217,022	584,628	171,495	756,123	
<b>(Unaudited)</b>												
<b>Balance at</b>												
<b>1 January</b>												
<b>2019</b> .....	—	—	290,232	—	(63,807)	128,793	1	80,876	436,095	105,968	542,063	
<b>Comprehensive income</b>												
Profit for the period .....	—	—	—	—	—	—	—	3,661	3,661	886	4,547	
Other comprehensive income .....	—	—	—	—	—	—	5	—	5	—	5	
<b>Total comprehensive income</b>												
	—	—	—	—	—	—	5	3,661	3,666	886	4,552	
<b>Balance at</b>												
<b>31 March</b>												
<b>2019</b> .....	—	—	290,232	—	(63,807)	128,793	6	84,537	439,761	106,854	546,615	

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 December			Three months ended 31 March	
		2017	2018	2019	2019	2020
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
<b>Cash flows from operating activities</b>						
Cash generated from/(used in) operations		345,780	348,846	403,207	(75,730)	(73,911)
Income taxes paid		(2,056)	(5,643)	(22,235)	(4,934)	(7,481)
<b>Net cash generated from/(used in) operating activities</b>	32(a)	<u>343,724</u>	<u>343,203</u>	<u>380,972</u>	<u>(80,664)</u>	<u>(81,392)</u>
<b>Cash flows from investing activities</b>						
Acquisition of a subsidiary, net of cash acquired	34	—	—	—	—	42,043
Proceeds from sale of subsidiary		—	3,455	—	—	—
Purchases of property, plant and equipment		(98,037)	(70,863)	(177,592)	(41,971)	(56,795)
Payment for land use right	16,22	(26,864)	—	(371,088)	(254,740)	—
Proceeds from sale of property, plant and equipment	32(b)	453	50	346	—	1
Purchases of intangible assets	18	(2,580)	(1,109)	(2,967)	(94)	(224)
Purchases of financial assets measured at fair value through profit and loss	3.3	(642,200)	(939,800)	(312,600)	(176,200)	(229,311)
Settlement of financial assets measured at fair value through profit and loss	3.3	645,393	860,209	401,423	229,286	128,263
Loans granted to related parties	36(a)	(40,000)	—	—	—	—
Repayments received from related parties	36(a)	94,055	—	—	—	—
Loans granted to a third party		(200)	—	—	—	—
Decrease/(increase) in restricted bank deposits		(16)	(13,667)	3,467	(4,734)	(1,479)
Interest received		2,697	1,920	3,581	649	891
<b>Net cash used in investing activities</b>		<u>(67,299)</u>	<u>(159,805)</u>	<u>(455,430)</u>	<u>(247,804)</u>	<u>(116,611)</u>
<b>Cash flows from financing activities</b>						
Proceeds from capital injection		—	2,500	—	—	—
Transaction with non-controlling interests		—	—	(600)	—	—
Professional expense paid in connection with the issuance of new shares during the listing process		—	(2,820)	(1,306)	(1,126)	(171)
Deemed distribution		—	(84,000)	—	—	—
Proceeds from borrowings	32(c)	280,000	349,000	763,124	200,000	240,000
Repayments of borrowings	32(c)	(346,160)	(247,520)	(291,040)	(118,000)	(140,000)
Borrowings from related parties	32(c), 36(a)	348,295	—	200,000	200,000	—
Repayments of borrowings to related parties	32(c), 36(a)	(212,745)	(216,503)	(200,000)	—	—
Dividends paid	32(c)	(27,856)	(58,942)	(3,536)	—	—
Interest paid	32(c)	(36,130)	(37,981)	(36,732)	(7,099)	(6,933)
Principal elements of lease payments	32(c)	(9,476)	(4,861)	(7,408)	(1,473)	(2,796)
<b>Net cash (used in)/generated from financing activities</b>		<u>(4,072)</u>	<u>(301,127)</u>	<u>422,502</u>	<u>272,302</u>	<u>90,100</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>272,353</u>	<u>(117,729)</u>	<u>348,044</u>	<u>(56,166)</u>	<u>(107,903)</u>
Cash and cash equivalents at the beginning of the year/period	24	60,230	332,558	214,834	214,834	562,882
Exchange loss/(gains) on cash and cash equivalent	12	(25)	5	4	(5)	34
<b>Cash and cash equivalents at end of year/period</b>	24	<u>332,558</u>	<u>214,834</u>	<u>562,882</u>	<u>158,663</u>	<u>455,013</u>

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1 General information, reorganisation and basis of presentation

#### 1.1 General information

Neusoft Education Technology Co. Limited (“the Company” or “Neusoft Education Technology”) was incorporated in the Cayman Islands on 20 August 2018 as an exempted company with limited liability under the Companies Law, (Cap.22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in providing full-time formal higher education services, continuing education services, and education resources and apprenticeship programme in the People’s Republic of China (the “PRC”)(collectively referred to as the “Listing Business”).

The Company has no ultimate holding company or ultimate controlling party.

#### 1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (not including the acquisition of Tianjin Neusoft Ruidao Education Information Technology Co., Ltd. (“Tianjin Ruidao”) and its subsidiaries in March 2020) as described below (the “Reorganisation”), the Listing Business was carried out by companies now comprising the Group, including Dalian Neusoft Software Park Industry Development Co., Ltd. (“Dalian Development”), Dalian Neusoft University of Information (“Dalian University”), Dalian Neusoft Electronic Press Co., Ltd. (“Neusoft Electronic Press”), Chengdu Neusoft Information Technology Development Co., Ltd. (“Chengdu Development”), Chengdu Neusoft University (“Chengdu University”), Foshan Nanhai Neusoft Information Technology Development Co., Ltd. (“Foshan Development”), Neusoft Institute, Guangdong (“Foshan University”) (collectively the “Consolidated Affiliated Entities”), Chengdu Neusoft Software Co., Ltd. (“Chengdu Software”), Shanghai Ruixiang Information Technology Co., Ltd. (“Shanghai Ruixiang”), Dalian Neusoft Technology Development Co., Ltd. (“Dalian Technology”), Dalian Yunguan Information Technology Co., Ltd. (“Dalian Yunguan”) and Foshan Yunguan Information Technology Co., Ltd. (“Foshan Yunguan”).

The Consolidated Affiliated Entities are directly or indirectly wholly owned by Dalian Neusoft Holdings Co., Ltd. (“Neusoft Holdings”) of which the owners are Dalian Kang Ruidao Management Consulting Centre (Limited Partnership) (“Dalian Kang Ruidao”), Dalian Neusoft Siwei Technology Development Co., Ltd. (“Dalian Siwei”), Liu Ming, Alpine Electronics (China) Co., Ltd. (“Alpine China”), Northeastern University Science & Technology Industry Group (“Northeastern University”), Yida Holdings Co., Ltd. (“Yida Holdings”), PICC Life Insurance Company Limited (“PICC Life”), and PICC Health Insurance Company Limited (“PICC Health”).

Pursuant to the Reorganisation in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing"), the Consolidated Affiliated Entities engaged in the Listing Business were transferred to the Company. The Reorganisation involves the following main steps:

- (1) On 26 July 2018, Chengdu University transferred all of its equity interests held in Chengdu Software to a subsidiary of Neusoft Holdings for a consideration of approximately RMB12,000,000.
- (2) On 3 August 2018, Dalian Neusoft Education Technology Group Co. Limited ("Dalian Education") was incorporated as a limited liability company in the PRC with the registered capital of RMB10,000,000 by Liu Mengyue and Dalian Development.
- (3) On 14 August 2018, Dalian Neusoft Industry Management Services Co., Ltd. ("Neusoft Industry Management") was established as a wholly-owned subsidiary of Dalian Education, with a registered capital of RMB3,000,000.
- (4) On 15 August 2018, Dalian Education acquired Shanghai Ruixiang from Dalian Development for a consideration of RMB15,000,000.
- (5) On 29 August 2018, Dalian Education acquired Dalian Yunguan from Neusoft Holdings for a consideration of RMB55,000,000.
- (6) On 29 August 2018, Dalian High-tech Zone Neusoft Training School Co., Ltd. ("Neusoft Training School") was established as a wholly-owned subsidiary of Dalian Technology, with a registered capital of RMB3,000,000.
- (7) On 20 August 2018, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 3,800,000,000 shares with par value of HK\$0.0001 each. On the same day, one ordinary share was allotted and issued at par value to the initial subscriber, and was subsequently transferred to Kang Ruidao International Investment Inc. ("Kang Ruidao"), a company incorporated in the British Virgin Islands ("BVI"). On 31 August 2018, the Company then issued and allotted an additional 300,489,999 shares at par value to Kang Ruidao, 254,930,000 shares at par value to Dongkong Education First Investment Inc ("Dongkong First"), 240,000,000 shares at par value to Dongkong Education Second Investment Inc ("Dongkong Second"), 130,020,000 shares at par value to Century Bliss International Limited ("Century Bliss"), 56,210,000 shares at par value to Alpine Electronics, Inc ("Alpine Electronics") and 18,350,000 shares at par value to Apex Venture Holding, Inc ("Apex Venture").
- (8) Since 2015, Neusoft Holdings has been providing the services of "Cloud services business" to Dalian University, Chengdu University and Foshan University in order to effectively realize the resource sharing and cost saving among all the schools. This business was transferred to Dalian Yunguan on 2 September 2018 from Neusoft Holdings for a consideration of RMB14,000,000.

- (9) Since 2012, Tianjin Neusoft Ruidao Education Information Technology Co., Ltd. (“Tianjin Ruidao”) which was held as 90.01% by Neusoft Holdings has been providing education software development business to the students of Dalian University, Chengdu University and Foshan University. This business was transferred to Dalian Yunguan on 2 September 2018 from Tianjin Ruidao for the consideration of RMB15,000,000.
- (10) On 6 September 2018, the Company established Neusoft Education Technology (BVI) Co., Limited (“Neusoft Education BVI”) as a limited liability company under the laws of the British Virgin Islands (BVI) with an authorised share capital of US\$100 divided into 100 shares with par value of US\$1 each, 100 shares were issued and allotted to the Company at par value.
- (11) On 22 September 2018, Dalian Neusoft Kangrui Jiuhe Medical Management Co., Ltd. (“Kangrui Jiuhe”) was established as a non-wholly owned subsidiary of Dalian Education as to 60%, with an aggregate registered capital of RMB5,000,000.
- (12) On 26 September 2018, Neusoft Education BVI established Neusoft Education Technology (HK) Co. Limited (“Neusoft Education HK”) as a limited liability company under the laws of Hong Kong with a share capital of HK\$100 divided into 100 shares with par value of HK\$1 each, 100 shares of which were issued and allotted to Neusoft Education BVI at par value.
- (13) On 26 April 2019, Chengdu Neusoft Education Technology Group Co., Limited (“Neusoft Education Chengdu”) was established as a wholly-owned subsidiary of Dalian Education, with a registered capital of RMB1,000,000.
- (14) On 17 May 2019, Dalian Neusoft Ruixin Technology Development Co., Limited (“JV” or “Neusoft Ruixin”) was incorporated as a limited liability company in the PRC with the registered capital of RMB10,000, and was held as 80.82% by Neusoft Education HK, 5.93% by Northeastern University, 8.40% by PICC Life, and 4.85% by PICC Health.
- (15) On 30 May 2019, Dalian University agreed to transfer 100% equity interest in Dalian Technology to Dalian Education for the consideration of RMB10,750,000.
- (16) On 17 June 2019, Dalian Development agreed to transfer 95% equity interest, and Liu Mengyue agreed to transfer the remaining equity interest, in Dalian Education to Neusoft Ruixin for the aggregate consideration of RMB12,000,000.
- (17) Due to the regulatory restrictions on foreign ownership in the schools in the PRC, the Group conducts a substantial portion of the business through Consolidated Affiliated Entities in the PRC. Neusoft Ruixin has entered into the Contractual Arrangements with certain main Consolidated Affiliated Entities and their respective equity holders, which is effective from 21 June 2019. The Company is effectively control and receive all the economic benefits of the business and operation of all Consolidated Affiliated Entities.

Upon completion of the above Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group.

On 1 March 2020, Dalian Education acquired 90.91% equity interest in Tianjin Ruidao from Neusoft Holdings at a consideration of approximately RMB362.8 million. Following the acquisition, Tianjin Ruidao became a subsidiary of the Group and its financial results were consolidated into the Company's financial statements.

### 1.3 Subsidiaries

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name of subsidiaries	Country/Place and date of incorporation/ establishment	Paid-in capital	Attributable equity interests of the Group				As of the date of this report	Principal activities	Places of operation	Statutory auditors
			At 31 December		At 31 March					
			2017	2018	2019	2020				
<b>Directly held:</b>										
Neusoft Education BVI .....	BVI/ 20 August 2018	HK\$380,000	—	100%	100%	100%	100%	Investment holding	BVI	Note <sup>(1)</sup>
<b>Indirectly held:</b>										
Dalian Development .....	PRC/ 10 July 2002	RMB359,000,000	80.82%	80.82%	80.82%	80.82%	80.82%	Investment Holding & Estate management	PRC	Note <sup>(2)</sup>
Dalian University .....	PRC/ 29 April 2004	RMB350,190,000	80.82%	80.82%	80.82%	80.82%	80.82%	Higher education	PRC	Note <sup>(2)</sup>
Neusoft Electronic Press .....	PRC/ 21 April 2005	RMB5,000,000	80.82%	80.82%	80.82%	80.82%	80.82%	Publishing	PRC	Note <sup>(2)</sup>
Dalian Technology .....	PRC/ 10 October 2013	RMB10,000,000	80.82%	80.82%	80.82%	80.82%	80.82%	Investment holding	PRC	Note <sup>(2)</sup>
Chengdu Development ..	PRC/ 8 July 2002	RMB102,800,000	80.82%	80.82%	80.82%	80.82%	80.82%	Investment holding	PRC	Note <sup>(2)</sup>
Chengdu University .....	PRC/ 10 June 2003	RMB230,663,174	80.82%	80.82%	80.82%	80.82%	80.82%	Higher education	PRC	Note <sup>(2)</sup>
Foshan Development .....	PRC/ 8 January 2002	RMB150,700,000	80.82%	80.82%	80.82%	80.82%	80.82%	Investment holding	PRC	Note <sup>(2)</sup>
Foshan University .....	PRC/ 24 February 2003	RMB 158,400,000	80.82%	80.82%	80.82%	80.82%	80.82%	Higher education	PRC	Note <sup>(2)</sup>
Shanghai Ruixiang .....	PRC/ 14 April 2017	RMB5,000,000	80.82%	80.82%	80.82%	80.82%	80.82%	Software development	PRC	Note <sup>(2)</sup>
Dalian Yunguan .....	PRC/ 17 February 2013	RMB20,000,000	80.82%	80.82%	80.82%	80.82%	80.82%	Software development	PRC	Note <sup>(2)</sup>
Foshan Yunguan .....	PRC/ 24 June 2016	RMB5,000,000	80.82%	80.82%	80.82%	80.82%	80.82%	Software development	PRC	Note <sup>(1)</sup>
Neusoft Education HK ..	Hong Kong/ 26 September 2018	HK\$100	—	100%	100%	100%	100%	Investment holding	Hong Kong	Note <sup>(1)</sup>
Neusoft Training School .....	PRC/ 29 August 2018	RMB1,000,000	—	80.82%	80.82%	80.82%	80.82%	Training service	PRC	Note <sup>(2)</sup>
Neusoft Industry Management .....	PRC/ 14 August 2018	RMB3,000,000	—	80.82%	80.82%	80.82%	80.82%	Property management	PRC	Note <sup>(2)</sup>

APPENDIX I

ACCOUNTANT'S REPORT

Name of subsidiaries	Country/Place and date of incorporation/ establishment	Paid-in capital	Attributable equity interests of the Group				As of the date of this report	Principal activities	Places of operation	Statutory auditors
			At 31 December		At 31 March					
			2017	2018	2019	2020				
<b>Indirectly held:</b>										
Dalian Education	PRC/ 3 August 2018	RMB10,000,000	—	76.78%	80.82%	80.82%	80.82%	Investment holding	PRC	Note <sup>(2)</sup>
Kangrui Jiuhe	PRC/ 22 September 2018	RMB5,000,000	—	48.49%	48.49%	48.49%	—	Medical related consultation	PRC	Note <sup>(1)(3)(4)</sup>
Neusoft Ruixin	PRC/ 17 May 2019	RMB10,000	—	—	80.82%	80.82%	80.82%	Investment holding	PRC	Note <sup>(2)</sup>
Neusoft Education Chengdu	PRC/ 26 April 2019	RMB1,000,000	—	—	80.82%	80.82%	80.82%	Investment holding	PRC	Note <sup>(1)</sup>
Suzhou Neusoft	PRC/ 23 January 2020	—	—	—	—	80.82%	80.82%	Investment holding	PRC	Note <sup>(1)</sup>
Tianjin Ruidao	PRC/ 22 March 2012	RMB110,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note <sup>(1)</sup>
Shenyang Neusoft Software Talent Training School	PRC/ 9 September 2008	RMB300,000	—	—	—	73.47%	73.47%	Training service	PRC	Note <sup>(1)</sup>
Dalian Neusoft Software Talent Training Centre	PRC/ 8 May 2009	RMB1,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note <sup>(1)</sup>
Tianjin Binhai Newtown Neusoft Ruidao Software Talent Vocational Training School	PRC/ 13 August 2015	RMB1,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note <sup>(1)</sup>
Nanjing Neusoft Ruidao Information Technology Co., Ltd.	PRC/ 5 March 2014	—	—	—	—	73.47%	73.47%	Training service	PRC	Note <sup>(1)</sup>
Nanjing Neusoft Talent Training Centre	PRC/ 28 July 2009	RMB300,000	—	—	—	73.47%	73.47%	Training service	PRC	Note <sup>(1)</sup>
Shenyang Neusoft Ruidao Education Services Co., Ltd.	PRC/ 9 July 2012	RMB5,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note <sup>(1)</sup>
Dalian Neusoft Ruidao Education Information Services Co., Ltd.	PRC/ 23 July 2012	RMB2,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note <sup>(1)</sup>
Qingdao Neusoft Ruidao Education Information Technology Co., Ltd.	PRC/ 6 December 2012	RMB2,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note <sup>(1)</sup>
Qingdao West Coast New District Neusoft Ruidao Software Talent Training School	PRC/ 12 November 2013	RMB1,200,000	—	—	—	73.47%	73.47%	Training service	PRC	Note <sup>(1)</sup>
Beijing Neusoft Ruidao Education Technology Co., Ltd.	PRC/ 21 September 2012	RMB1,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note <sup>(1)</sup>



## APPENDIX I

## ACCOUNTANT'S REPORT

Name of subsidiaries	Country/Place and date of incorporation/ establishment	Paid-in capital	Attributable equity interests of the Group				As of the date of this report	Principal activities	Places of operation	Statutory auditors
			At 31 December		At 31 March					
			2017	2018	2019	2020				
Guangzhou Neusoft Ruidao Education Information Technology Co., Ltd. ....	PRC/ 31 December 2013	RMB1,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note <sup>(1)</sup>
Guangzhou Neusoft Software Talent Vocational Training School .....	PRC/ 13 July 2015	RMB1,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note <sup>(1)</sup>
Chongqing Neusoft Ruidao Information Technology Co., Ltd. ....	PRC/ 11 July 2017	RMB2,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note <sup>(1)</sup>
Dalian Neusoft Ruichuang Technology Development Co., Ltd. ....	PRC/ 22 August 2014	RMB10,000,000	—	—	—	73.47%	73.47%	Software development	PRC	Note <sup>(1)</sup>
Chengdu Neusoft Software Co., Ltd. ....	PRC/ 17 June 2010	RMB10,000,000	—	—	—	73.47%	73.47%	Software development	PRC	Note <sup>(1)</sup>
Neusoft Ruidao (Weihai) Education Information Consulting Co., Ltd. ..	PRC/ 29 October 2019	RMB1,000,000	—	—	—	73.47%	73.47%	Training service	PRC	Note <sup>(1)</sup>
Qinhuangdao Neusoft Venture School .....	PRC/ 15 March 2016	RMB500,000	—	—	—	66.13%	66.13%	Training service	PRC	Note <sup>(1)</sup>
Guangzhou Ruiyuan Information Technology Co., Ltd. ....	PRC/ 20 August 2019	RMB1,000,000	—	—	—	66.13%	—	Training service	PRC	Note <sup>(1)(3)</sup>
Tianjin Neusoft Ruichuang Technology Business Incubator Co., Ltd. ....	PRC/ 18 April 2016	RMB1,000,000	—	—	—	44.08%	44.08%	Software development	PRC	Note <sup>(1)(4)</sup>
Dalian Waye Information Service Co., Ltd. ....	PRC/ 15 March 2016	RMB10,739,000	—	—	—	44.08%	44.08%	Software development	PRC	Note <sup>(1)(4)</sup>
Guangdong Ruidao Gongchuang Technology CO., Ltd. ....	PRC/ 29 April 2016	RMB10,000,000	—	—	—	37.47%	37.47%	Software development	PRC	Note <sup>(1)(4)</sup>

## Notes:

- (1) No audited financial statements have been prepared for these companies since they are either newly incorporated or acquired or not required to issue audited financial statements under statutory requirements of their respective places of incorporation.

- (2) The subsidiaries had statutory accounting year end dates of 31 December 2017, 2018 and 2019 and have prepared financial information as at 31 December 2017, 2018 and 2019 for the purpose of the Group's consolidation. The statutory financial statements of the subsidiaries established in the PRC were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises for each of the years ended 31 December 2017, 2018 and 2019. The statutory auditors of the Company and its subsidiaries throughout the Track Record Period are set out below:

Company name	Statutory auditors		
	2017	2018	2019
Dalian Education	N/A; Note (1)	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.
Dalian Development	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.
Dalian University	Grant Thornton LLP Liaoning Branch	Grant Thornton LLP Liaoning Branch	Grant Thornton LLP Liaoning Branch
Neusoft Electronic Press	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.
Dalian Technology	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.
Chengdu Development	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.	Pan-China Certified Public Accountants LLP Sichuan Branch
Chengdu University	Pan-China Certified Public Accountants LLP Sichuan Branch	Pan-China Certified Public Accountants LLP Sichuan Branch	Pan-China Certified Public Accountants LLP Sichuan Branch
Foshan Development	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.
Foshan University	Guangdong Huijian accounting firm Co., Ltd.	Zhonglei Certified Public Accountants Co.,Ltd. Guangdong branch	Zhonglei Certified Public Accountants Co., Ltd. Guangdong branch
Shanghai Ruixiang	Liaoning Yixinde accounting firm Co., Ltd.	Shanghai Ruitong Certified Public Accountants LLP	Shanghai Ruitong Certified Public Accountants LLP
Dalian Yunguan	Dalian Jixing accounting firm Co., Ltd.	Dalian Jixing accounting firm Co., Ltd.	Dalian Jixing accounting firm Co., Ltd.
Neusoft Industry Management	N/A; Note (1)	Dalian Haohua accounting firm Co., Ltd.	Dalian Haohua accounting firm Co., Ltd.
Neusoft Training School	N/A; Note (1)	Grant Thornton LLP Liaoning Branch	Grant Thornton LLP Liaoning Branch

- (3) Kangrui Jiuhe has been deregistered on 2 June 2020. Guangzhou Ruiyuan Information Technology Co., Ltd. has been sold to a third party on 4 June 2020.

- (4) Kangrui Jiuhe was directly controlled and 60% held by Dalian Education (before it was deregistered on 2 June 2020). Dalian Waye Information Service Co., Ltd. is directly controlled and 60% held by Tianjin Ruidao. Tianjin Neusoft Ruichuang Technology Business Incubator Co., Ltd. and Guangdong Ruidao Gongchuang Technology Co., Ltd. are directly controlled and held as to 60% and 51% by Dalian Neusoft Ruichuang Technology Development Co., Ltd., respectively.

Since Dalian Education, Tianjin Ruidao and Dalian Neusoft Ruichuang Technology Development Co., Ltd. are controlled and held as to 80.82%, 73.47% and 73.47% respectively by the Company, the Company was/is able to control Kangrui Jiuhe, Dalian Waye Information Service Co., Ltd., Tianjin Neusoft Ruichuang Technology Business Incubator Co., Ltd. and Guangdong Ruidao Gongchuang Technology Co., Ltd.

#### 1.4 Basis of presentation

Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and owners of the Listing Business, and for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis. The consolidated statements of comprehensive income, the consolidated statements of cash flows and the consolidated statements of changes in equity of the Group for each of the years ended 31 December 2017, 2018 and 2019 and three months ended 31 March 2020, and the consolidated statements of financial position of the Group as at those dates have been prepared using the financial information of the companies engaged in the Listing Business which are under the same ownership and now comprising the Group as if the current group structure had been in existence throughout and at the end of each of the Track Record Period with the exception of companies established within the Track Record Period which are included from their respective dates of establishment.

Intra-group transactions, balances and unrealised gains/losses on transactions between the companies within the Group are eliminated on consolidation.

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by International Accounting Standard Board (“IASB”).

The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of the Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

IFRS 9, “Financial instruments” and IFRS 15, “Revenue from contracts with customers” are effective for annual periods beginning on or after 1 January 2018. IFRS 16 “Leases” is effective for annual periods beginning on or after 1 January 2019. The Group has applied IFRS 9, IFRS 15 and IFRS 16 consistently throughout the Track Record Period.

The Group recorded net current liabilities of RMB575,702,000, RMB508,957,000 and RMB616,057,000 and RMB773,135,000 at 31 December 2017, 2018, 2019 and 31 March 2020, respectively. Included therein, the Group recorded contract liabilities of RMB411,766,000, RMB449,944,000, RMB489,436,000 and RMB349,334,000 at 31 December 2017, 2018, 2019 and 31 March 2020, respectively, which represents the performance obligation the Group promise to deliver in the foreseeable future with insignificant future cash outflow being expected. In view of the net current liabilities position, the management of the Group have considered the cash inflow from operations by means of increasing revenue while controlling operating expense, renewing the existing bank borrowings and using available bank facilities. Taking into account aforementioned financial resources of the Group, the Directors are of the opinion that the Group will have sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due during next twelve months from the balance sheet. As such, the Historical Financial Information has been prepared on a going concern basis.

The following new standards and amendments to existing standards have been issued but are not yet effective for the annual period beginning from or after 1 June 2020 and which the Group has not early adopted during the Track Record Period.

		Effective from annual period beginning on or after
IFRS 16	Covid-19 Related Rent Concessions	1 June 2020
Amendments to IAS 37	Onerous contract — cost of fulfilling a contract	1 January 2022
Amendments to IAS 16	Property, plant and equipment: Proceeds before intended use	1 January 2022
Annual improvements to IFRS standards 2018-2020		1 January 2022
IFRS 17	Insurance contracts	1 January 2023
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Directors of the Company have already commenced an assessment of the impact of these new or revised standard, certain of which is relevant to the Group’s operation. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and positions of the Group is expected when they become effective.

## 2.2 Subsidiaries

### 2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

#### (a) Subsidiaries controlled through Contractual Arrangements

As part of the Reorganization, a subsidiary of the Company, Neusoft Ruixin, has entered into a series of Contractual Agreement with Dalian Development, the Schools and the equity shareholders including Dalian Kang Ruidao, Dalian Siwei, Liu Ming, Alpine China, North-eastern University, Yida Holdings, PICC Life, and PICC Health. The Contractual Agreements enable Neusoft Ruixin and the Group to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities in consideration for the corporate management and educational management consultancy services, as well as technical and business support services provided by Neusoft Ruixin. Such services include development, design, upgrade and ordinary maintenance on educational software and website; design on college course and major compilation and selection and/or recommendation on college course materials; recruitment and training supporting on teachers and other employees; admission and enrolment supporting services; public relation services; market research and development services; management and marketing consulting and related services; and other additional services as the parties may mutually agree from time to time;
- obtain an irrevocable and exclusive right to purchase all of equity interests in the Consolidated Affiliated Entities from the respective equity holders at nil consideration or a minimum purchase price permitted under PRC laws and regulations. Neusoft Ruixin may exercise such options at any time until it has acquired all equity interests in and/or all assets of the Consolidated Affiliated Entities permitted under the PRC laws and regulations. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of Neusoft Ruixin; and
- obtain a pledge over the entire equity interest of the Consolidated Affiliated Entities from their equity holders to secure performance of the obligations of the Consolidated Affiliated Entities under the Contractual Agreements.

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Agreements, the Group has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to control the Consolidated Affiliated Entities. Accordingly, the Company regards the Consolidated Affiliated Entities as subsidiaries under IFRSs.

Nevertheless, the Contractual Agreements may not be as effective as direct legal ownership in providing the Group direct control over the Consolidated Affiliated Entities, due to the uncertainties presented by the PRC legal system to impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The Directors, based on the advice of its legal counsel, consider that the Contractual Agreements with the Consolidated Affiliate Entities and their equity shareholders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

**(b) Business combination not under common control**

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRS.

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in consolidated statements of comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable

net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statements of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

**(c) Changes in ownership interests in subsidiaries without change of control**

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

**(d) Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities or transferred to another category of equity as specified / permitted by applicable IFRS.

**2.2.2 Separate financial statements**

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

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

**2.3 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior executive management team, including the Directors that make strategic decisions.

## 2.4 Foreign currency translation

### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency is HKD. The Company's primary subsidiaries were incorporated in mainland China and these subsidiaries considered RMB as their functional currency. Since the majority of the assets and operations of the Group are within mainland China, the Group determined to present its Historical Financial Information in RMB(unless otherwise stated).

### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statements of comprehensive income within finance expenses. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within other gains/(losses).

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified and measured at fair value through other comprehensive income, are included in other comprehensive income.

### (c) Group companies

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

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the



transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) All resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

## 2.5 Property, plant and equipment

Property, plant and equipment comprise mainly buildings, motor vehicles, electronic equipment, furniture and fixtures are stated at historical cost less accumulated depreciation and accumulated impairment losses (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include foreign currency purchases of property, plant and equipment.

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

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

— Buildings	20-30 years
— Renovation	3-8 years
— Motor vehicles	5 years
— Electronic equipment	3-10 years
— Furniture and fixtures	5 years
— Others	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within Other gains/(losses) in the consolidated statements of comprehensive income.

Construction-in-progress ("CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses (if any). Cost includes the costs of

construction and acquisition and capitalised borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to the respective categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

## **2.6 Intangible assets**

### **(a) Goodwill**

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred over the fair value of the identified net assets acquired.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment (note 2.7).

### **(b) Customer relationship and brand**

Customer relationship and brand are initially recognized and measured at fair value in business combinations not under common control. Customer relationship is amortized over its estimated useful lives over 10 years using the straight-line method which reflects the pattern in which the customer relationship's future economic benefits is expected to be consumed.

Brand arising from the acquisitions of Tianjin Ruidao have indefinite useful life and there is no foreseeable limit to the period over which it is expected to generate cash flows for the Group as it is expected that its value will not be reduced through usage and there are no legal or similar limits on the period for its use.

### **(c) Software**

Software are initially recognised and measured at cost incurred to acquire and bring them to use. They are amortised on a straight-line basis over their estimated useful lives from 4 to 10 years, and recorded in amortisation within operation expense in the consolidated statements of comprehensive income.

### **(d) Research and development expenditures**

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalised as intangible assets when recognition criteria are fulfilled. There criteria include:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;

- there is an ability to use or sell the software products;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available ; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

During the Track Record Period, all the research and development expenditures do not meet the above criteria and expensed as incurred.

## **2.7 Impairment of non-financial assets**

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

## **2.8 Investments and other financial assets**

### **2.8.1 Classification**

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

### 2.8.2 Recognition and measurement

At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest method.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or fair value through overall comprehensive income (FVOCI) are measured at fair value through profit or loss (FVPL). A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other losses/gains, net in the period in which it arises.

### 2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

## 2.10 Impairment of financial assets

The Group has types of financial assets subject to IFRS 9's new expected credit loss model:

- Trade receivables
- Deposits and other receivables, including loan receivables from related parties and third parties

While cash and cash equivalents and restricted cash are also subject to the impairment requirement of IFRS9, the identified impairment loss was immaterial.

The Group's financial assets measured at amortised cost are subject to IFRS 9's new expected credit loss model. The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1 (b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on deposits and other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

## 2.11 Trade receivables and other receivables

Trade receivables are amounts due from students of university for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

## 2.12 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash at bank and on hand and short-term bank deposits with original maturities of three months or less.

### 2.13 Share capital

Ordinary shares are classified as equity.

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

### 2.14 Trade and other payables

Accruals and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accruals and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accruals and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### 2.15 Inventory

Inventory are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprised raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense.

### 2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### 2.17 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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 eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

### 2.18 Current and deferred income tax

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

#### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### (b) Deferred income tax

##### Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

**(c) Offsetting**

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

**2.19 Employee benefits****(a) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

The PRC employees of the Group are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to those funds based on a certain percentage of the employee's salaries. The Group's liabilities in respect of these funds is limited to the contributions payable in each period. The non-PRC employees are not covered by the housing funds.

**(b) Post-employment obligations**Pension obligations

The liability or asset recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.



The entities within the Group registered in the PRC make employee benefit contributions based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and medical benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to the existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

## **2.20 Revenue from contracts with customers**

Revenue are recognised when control of the goods has transferred or services are rendered to the customer. Depending on terms of the contract and the laws that apply to the contract, revenue may be recognised over time or at point in time.

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

### **(A) Full-time formal higher education services**

#### **(a) Tuition fees and boarding fees**

Tuition and boarding fees are generally received prior to the commencement of each school year (which is typically around 9 months starting from September to June or July with winter and summer holiday exclusive), and are initially recorded as contract liabilities. Tuition fees are recognised as revenue proportionately over the school year based on the school calendar, while the boarding fees are recognised as revenue over a 12-months period.

The balance of contract liabilities represent the portion of tuition and boarding fees received from students to which the Group will deliver the services within one year.

### **(B) Continuing education services**

Continuing education services are provided to adult students who are not registered as full time students under full-time formal higher education program, government agencies, enterprises, targeting universities/colleges, and individual customers.

The tuition fees that are received from the adult students prior to the commencement of the academic programs are recorded as contract liabilities, and are recognised as revenue proportionately over the school calendar.

The continuing education services that are provided to government agencies, enterprises, targeting universities/colleges and individual customers are recognised as revenue over the contracted period. The service

fees are either received from these types of customers prior to the commencement of the contact, or after the services have been delivered by the Group. The advanced payment of the service fees are recorded as contract liabilities, and are recognised as revenue over the contract period. The Group recorded the outstanding services fees as trade receivables in line with the transferring the services to the customers. The Group normally provides the credit term of 180 days after the end of the contract period to its customers.

**(C) Education resources and apprenticeship programme**

**(a) Education resources**

The revenue from offering a customised, fully-integrated major design solution or college establishment solution to customers is recognised when control of the education resources has been transferred, being when the education resources are accepted by the customers. Customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. The consideration of the education resources is either received from customers prior to the products delivered or after the control of the products transferred to the customers. The Group recorded the prepayment from customers as contract liabilities, while recorded the outstanding considerations as trade receivables with credit term of 180 days after the invoice date.

Tianjin Ruidao and its subsidiaries made commitment in part of its contracts with certain cooperative universities or colleges that, if the students were unable to secure employment after completing the programme, Tianjin Ruidao and its subsidiaries would return half or all of the last-year tuition fee to these cooperative universities or colleges (such fees from these cooperative universities or colleges referred to as the "Committed Fees"), which is considered as variable consideration. The terms of refund arrangement in relation to securing employment of the students are separately negotiated and agreed between Tianjin Ruidao and its subsidiaries and certain cooperating universities or colleges on a case by case basis. Tianjin Ruidao and its subsidiaries, when negotiating a contract for provision of education resources with a cooperating university or college, would agree with the cooperating university or college on (i) a target employment rate (normally within the range of 90% to 100%) and (ii) the refund amount should any student fail to secure employment after receiving the services provided by Tianjin Ruidao and its subsidiaries, which would either be half or full of the final-year tuition fee of the unemployed students. There is no time bar for the refund arrangement. The cooperating universities or colleges would assess the employment rate of their graduates as of the graduation date. If the employment rate does not meet the agreed percentage, Tianjin Ruidao and its subsidiaries shall refund the agreed amount to the relevant cooperating universities or colleges in accordance with the contractual terms. Upon contract inception date and at the end of 31 March 2020, Tianjin Ruidao and its subsidiaries estimated and reassessed that it was highly probable that they can meet the commitment to provide employment to the students who completed the programme and a significant reversal in the amount of cumulative revenue recognized would not occur, therefore Tianjin Ruidao and its subsidiaries recognised the Committed Fees together with the rest of the tuition fee received from the cooperative universities or colleges as revenue proportionately over the service provided period.

**(b) Apprenticeship programme**

Shanghai Ruixiang provided apprenticeship programme in form of providing the opportunity to students to obtain actual work experience under the guidance of its engineers. Revenue of this type of services during the Track

Record Periods are earned from the customers in term of the manpower outsourcing services delivered by the engineers. The consideration of the service is based on the output method, which is to recognise the revenue on the basis of the direct measurements of the value of the services delivered to the customers. The outstanding service fees will be recorded as trade receivables once the revenue recognised over the contracted period, and the credit term is 180 days after the service delivered.

**(D) Development of software system technology**

Development of software system technology is recognised as other income in the consolidated statements of comprehensive income. The service is provided to customers for scientific research, technical consultation, and system development. The revenue is recognised at a point in time when the customers accept the achievements and obtain the controls of the products. The sales will be recorded as trade receivables once the revenue recognised, and the credit term is 180 days after the control of the products transferred to the customers.

**(E) Matching service**

Matching service is a one-time service offered by Shanghai Ruixiang, which help its customers to match the talents needs, and earned the commission fee. The service is recognised as other income in the consolidated statements of comprehensive income. The consideration of the service fee is received from customers after the settlements of the number of the engineers between both parties. The Group recorded the outstanding considerations as trade receivables with credit term of 180 days.

**2.21 Leases**

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are exempted from applying IFRS 16, and recognised on a straight-line basis as an expense in consolidated statements of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. The Group adopted the exemption for all short-term leases.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

The group leases teaching buildings, various offices, warehouse and apartments. Rental contracts are typically made for fixed periods of 15 months to 10 years. Amortization of land is calculated using the straight-line method to allocate their cost to their residual values over 36-47 years.

## 2.22 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the statement of profit or loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective rate is applied to the net carrying amount of the financial asset.

## 2.23 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the consolidated statements of comprehensive income on a straight-line basis over the expected lives of the related assets.

## 2.24 Dividends distribution

Dividend distribution to the owners is recognised as a liability in the Group's consolidated statements of financial position in the period in which the dividends are approved by the owners, where appropriate.

## 3 Financial risk management

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

#### (a) Market risk

##### *Cash flow and fair value interest rate risk*

The Group's income and operating cash flows are substantially independent of changes in market interest rate and the Group has no significant interest-bearing assets except for cash and cash equivalents and restricted cash, detail of which has been disclosed in Note 24.

The Group's interest-rate risk arises from borrowings, details of which have been disclosed in Note 30. Borrowings borrowed at variable rates expose the Group to cash flow interest rate risk. Borrowings borrowed at fixed rates expose the Group to fair value interest rate risk. During the Track Record Period, the Group's borrowings bore interest at variable rates.

The Group currently considers not necessary to use any interest rate swaps to hedge its exposure to interest rate risk.

At 31 December 2017, 2018, 2019 and 31 March 2019 and 2020, if the interest rates on bank borrowings, restricted cash and cash and cash equivalents had been 50 basis points higher/lower, with all other variables held constant, the Group's post-tax profit for the year would have been RMB416,000 lower/higher, RMB1,499,000 lower/higher, RMB2,004,000 lower/higher, RMB3,704,000 lower/higher and RMB4,516,000 lower/higher respectively.

**(b) Credit risk**

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, trade receivables, deposits and other receivables. The carrying amount of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk arising from cash and cash equivalents and restricted cash placed with banks, the Group only transacts with state-owned financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions. The expected credit loss is minimal.

To manage the risk arising from trade receivables from third parties and related parties ("counterparties"), the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers is usually no more than 180 days and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors. The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group considers the credit risk characteristics and the days past due to measure the expected credit losses. During the Track Record Period, the expected losses for customers of sales of service and goods is minimal and the expected credit loss rate is zero, given there is no history of significant defaults from customers and no adverse change is anticipated in the future business environment. No provision for impairment of trade receivables has been made throughout the Track Record Period.

For deposits and other receivables, management applies 3-stage model to assess the expected credit loss. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences. In view of the history of cooperation with debtors, the sound collection history of receivables due from them and forward looking estimates, the expected credit loss is minimal.

For loan receivables from related parties, management has assessed that the related parties have a strong capacity to meet their contractual cash flow obligations in the near term. Therefore, a 12-month expected credit loss is applied to these balances. Considering the strong financial capacity and forward looking estimates, management assessed that the expected credit loss is minimal.

For loan receivables from third parties, the directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. The following indicators are incorporated: (1) actual or expected significant adverse change in business, financial economic conditions that are expected to cause a significant change to the third party borrower's ability to meet its obligations; (2) actual or expected significant changes in the operating results of the third party borrower; (3) significant changes in the expected performance and behavior of the borrower,

including changes in the payment status of borrower. Since the loans to third parties were all repayable on demand and based on historical experience and forward-looking estimates, the counterparties have a strong financial ability to pay cash, the directors of the Company believe that there was no material credit risk inherent in the Group's outstanding balance of loan receivables from third parties.

Notes receivables mainly represents bank acceptance notes. These notes receivables are generally with maturity period of 3 months. These notes are mainly issued by banks in the PRC and the expected credit loss is close to minimal.

**(c) Liquidity risk**

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and bank borrowings.

The maturity analysis of borrowings that shows the remaining contractual maturities is disclosed in Note 30. Generally there is no specific credit period granted by the suppliers but the related payables are normally expected to be settled within three months after receipt of goods or services.

At 31 December 2017, 2018, 2019 and 31 March 2020, the Group has cash and cash equivalents and restricted cash of approximately RMB332,574,000, RMB228,516,000, RMB573,097,000 and RMB466,707,000 respectively (Note 24) and trade and other receivables excluding non-financial assets of approximately RMB161,932,000, RMB22,900,000, RMB26,483,000 and RMB44,221,000 respectively (Note 21 and 22) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including interest elements computed using contracted rate based on rates at the end dates during the Track Record Period.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 31 December 2017</b>						
Borrowings (principal plus interests) . . . . .	244,910	64,783	152,202	—	461,895	426,500
Trade and other payables (excluding non-financial liabilities) . . . . .	362,303	—	—	—	362,303	362,303
Lease liabilities . . . . .	3,263	3,225	1,555	—	8,043	7,647
	<u>610,476</u>	<u>68,008</u>	<u>153,757</u>	<u>—</u>	<u>832,241</u>	<u>796,450</u>
<b>At 31 December 2018</b>						
Borrowings (principal plus interests) . . . . .	233,659	90,864	233,823	22,860	581,206	527,980
Trade and other payables (excluding non-financial liabilities) . . . . .	114,899	—	—	—	114,899	114,899
Lease liabilities . . . . .	9,955	8,015	24,365	22,334	64,669	52,155
	<u>358,513</u>	<u>98,879</u>	<u>258,188</u>	<u>45,194</u>	<u>760,774</u>	<u>695,034</u>
<b>At 31 December 2019</b>						
Borrowings (principal plus interests) . . . . .	510,588	223,745	272,106	88,799	1,095,238	998,798
Trade and other payables (excluding non- financial liabilities) . . . . .	168,708	—	—	—	168,708	168,708
Lease liabilities . . . . .	8,157	6,377	24,560	16,243	55,337	45,248
	<u>687,453</u>	<u>230,122</u>	<u>296,666</u>	<u>105,042</u>	<u>1,319,283</u>	<u>1,212,754</u>
<b>At 31 March 2020</b>						
Borrowings (principal plus interests) . . . . .	518,460	248,700	347,779	91,254	1,206,193	1,098,834
Trade and other payables (excluding non- financial liabilities) . . . . .	568,464	—	—	—	568,464	568,464
Lease liabilities . . . . .	10,656	8,860	26,859	17,948	64,323	54,534
	<u>1,097,580</u>	<u>257,560</u>	<u>374,638</u>	<u>109,202</u>	<u>1,838,980</u>	<u>1,721,832</u>

### 3.2 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's strategy remains constant throughout the Track Record Period.



The capital structure of the Group consists of net debt, which includes borrowings, cash and cash equivalents, and equity attributable to owners of the Company, comprising capital, reserves and retained earnings.

The Directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through raising new debts as well as redemption of the existing debt.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2017, 2018, 2019 and 31 March 2020 was as follows:

	As at 31 December			As at
	2017	2018	2019	31 March 2020
The liability-to-asset-ratio .....	<u>67.96%</u>	<u>70.15%</u>	<u>72.11%</u>	<u>74.81%</u>

### 3.3 Fair value estimation

#### Financial assets

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2017, 2018, 2019 and 31 March 2020 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amounts of the Group's financial assets include cash and cash equivalents, trade and other receivables and financial liabilities including trade and other payables, approximate their fair values due to their short maturities. The carrying amount of the Group's non-current borrowing and lease liabilities approximate their fair values as they are carried at floating interest rates.

The following table presents the Group's financial assets that are required to be measured at fair value as at 31 December 2017, 2018, 2019 and 31 March 2020.

	<u>Level 3</u>
	<u>RMB'000</u>
<b>At 31 December 2017</b>	
Financial assets at fair value through profit or loss .....	<u>2,082</u>
<b>At 31 December 2018</b>	
Financial assets at fair value through profit or loss .....	<u>87,794</u>
<b>At 31 December 2019</b>	
Financial assets at fair value through profit or loss .....	<u>50</u>
<b>At 31 March 2020</b>	
Financial assets at fair value through profit or loss .....	<u>192,660</u>

Level 3 instruments of the Group's assets include financial investments measured at fair value through profit or loss.

During the Track Record Period, there was no transfer between level 1 and 2 for recurring fair value measurements. The following table presents the movement in level 3 instruments for the years ended at 31 December 2017, 2018, 2019 and three months ended at 31 March, 2019 and 2020.

	<b>Financial products sponsored and managed by a banks (Level 3)</b>
	<u>RMB'000</u>
Balance at 1 January 2017 .....	2,532
Additions .....	642,200
Settlements .....	(645,393)
Gain and loss recognised in profit or loss (Note 9) .....	<u>2,743</u>
<b>Balance at 31 December 2017</b> .....	<u>2,082</u>
Total gains or losses for the year included in profit or loss, under "Other gains and losses" (Note 9) .....	2,743
Balance at 1 January 2018 .....	2,082
Additions .....	939,800
Settlements .....	(860,209)
Gain and loss recognised in profit or loss (Note 9) .....	<u>6,121</u>
<b>Balance at 31 December 2018</b> .....	<u>87,794</u>

	Financial products sponsored and managed by a banks (Level 3)
	RMB'000
Total gains or losses for the year included in profit or loss, under "Other gains and losses" (Note 9) .....	6,121
Balance at 1 January 2019 .....	87,794
Additions .....	312,600
Settlements .....	(401,423)
Gain and loss recognised in profit or loss (Note 9) .....	1,079
<b>Balance at 31 December 2019</b> .....	<u>50</u>
Total gains or losses for the year included in profit or loss, under "Other gains and losses" (Note 9) .....	1,079
Balance at 1 January 2020 .....	50
Acquisition of a subsidiary .....	90,540
Additions .....	229,311
Settlements .....	(128,263)
Gain and loss recognised in profit or loss (Note 9) .....	1,022
<b>Balance at 31 March 2020</b> .....	<u>192,660</u>
Total gains or losses for the period included in profit or loss, under "Other gains and losses" (Note 9) .....	1,022
Balance at 1 January 2019 (Unaudited) .....	87,794
Additions .....	176,200
Settlements .....	(229,286)
Gain and loss recognised in profit or loss (Note 9) .....	708
<b>Balance at 31 March 2019</b> .....	<u>35,416</u>
Total gains or losses for the period included in profit or loss, under "Other gains and losses" (Note 9) .....	708

The level 3 instruments represent bank wealth management products, measured at fair value through profit or loss (Note 23). These instruments are not traded in an active market and do not have observable market data. The main level 3 input used by the Group is derived and evaluated as contingent consideration, by which the finance department of the Group estimates the expected cash flows based on the terms of the contract and how the current economic environment is likely to impact it.

The finance department of the Group performs the valuation of level 3 financial instruments for financial reporting purposes. It manages the valuation exercise of the investments on a case by case basis. At least once a year, the finance department uses valuation techniques to determine the fair value of the Group's level 3 instruments and reports to senior management and the directors of the Company.

The valuation of the level 3 instruments mainly include financial assets at fair value through profit or loss (Note 23). The following table summarizes the quantitative information about the significant unobservable inputs used in the recurring level 3 fair value measurements.

Description	As at 31 December			As at	Unobservable inputs	As at 31 December			As at	Relationship of unobservable input to fair value
	2017	2018	2019	31 March		2017	2018	2019	31 March	
	RMB'000	RMB'000	RMB'000	RMB'000						
Financial assets at fair value through profit or loss . . . . .	2,082	87,794	50	192,660	Expected rate of return	2.35%-2.9%	2.35%-3.35%	2%	2%-3.6%	The higher the expected rate of return, the higher the fair value

At 31 December 2017, 2018, 2019 and 31 March 2019 and 2020, if the discounted rates on bank wealth management products had been 50 basis points higher/lower, with all other variables held constant, the Group's post-tax profit for the year would have been RMB9,000 lower/higher, RMB416,000 lower/higher, RMB220 lower/higher, RMB296,000 lower/higher and RMB1,371,000 lower/higher respectively.

#### 4 Critical estimates and judgements

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

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

##### (a) Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on the foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities. The Directors assessed whether or not the Group has control over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Operating Entities. After assessment, the Directors concluded that the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Agreements and accordingly the financial position and their operating results of the Consolidated Affiliated Entities are included in the Group's consolidated financial statements throughout the Track Record Period or since the respective dates of incorporation/establishment, whichever is the shorter period.

Nevertheless, the Contractual Agreements may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The Directors, based on the advice of its other legal counsel, consider that the Contractual Agreements among the Consolidated Affiliated Entities and their equity owners are in compliance with the relevant PRC laws and regulations and are legally enforceable.

**(b) Purchase price allocation in business combination**

The business combination was related to the Group's acquisition of 90.91% equity interests in Tianjin Ruidao from Neusoft Holdings with a cash consideration of RMB362,779,000.

The application of business combination accounting requires the use of significant estimates and assumptions. The purchase method of accounting for business combinations requires the Group to estimate the fair value of identifiable assets acquired and liabilities. This exercise requires the use of management's assumptions and judgements, including a presumption of contractual relationship renewal at minimum cost, which would not reflect unanticipated events and circumstances that may occur.

Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to indefinite lived and finite lived intangible assets.

**(c) Estimation of goodwill impairment and brand impairment**

Goodwill and brand with an indefinite useful life arose from the acquisition of a subsidiary of Tianjin Ruidao. The Group tests annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units (CGUs), Tianjin Ruidao, was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the management covering a five-year period.

There was no impairment of goodwill and brand during three months ended 31 March 2020.

**(d) Estimation of useful life of customer relationship identified in business combinations**

Customer relationship is primarily related to the existing customers of acquiree on the acquisition date. Based on the past experience of customers' retention and general situation and competition in software training industry, the Group determines the useful life with reference to the estimated periods that the Group intends to derive future economic benefits from the use of the asset and determines the amortisation period of the customer relationship to be 10 years. Actual economic life may differ from estimated useful life. Periodic review could result in a change in depreciable life and therefore amortisation expense in future periods.

**(e) Income taxes**

As at 31 December 2017, 2018, 2019 and 31 March 2019 and 2020, the Group did not recognize deferred tax assets RMB5,316,000, RMB3,192,000, RMB2,039,000, RMB1,720,000 and RMB764,000 in respect of tax losses, that could be carried forward against future taxable income as the realisation of the related tax benefits through future taxable profit is not probable. Estimating the amount of deferred tax asset arising from prior years' tax losses requires a process that involves determining appropriate provisions for income tax expense, forecasting future year's taxable income and assessing our ability to utilise tax benefits through future earnings. In cases where the actual future profits generated are different from original estimates than expected, such differences will impact the recognition of deferred tax assets and income tax charges in the period in which such circumstances are changed.

**(f) Estimation of the useful lives of property, plant and equipment**

The net book values of the buildings that owned by Foshan University are RMB343,817,000, RMB316,192,000, RMB289,918,000, RMB305,394,000 and RMB284,556,000 as at 31 December 2017, 2018, 2019, and 31 March 2019 and 2020 respectively. The Group estimates the useful lives of the buildings is 20 years. However, the actual useful lives may be longer than 20 years depending on future repair and maintenance investments.

**5 Segment information**

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Group. During the Track Record Period, the Group is principally engaged in providing higher education services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

**Geographical information**

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

**Information of the major customers**

A customer contributed more than 10% of the total sales of the Group during the year ended 31 December 2018, 2019 and three months ended 31 March 2020. The amount of sales to these customers are disclosed as follows:

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Shanghai Sirui Information Technology Company Limited (Shanghai Sirui) . . . . .	Note(a)	<u>98,082</u>	<u>116,585</u>	<u>38,789</u>	<u>Note(a)</u>

(a) The revenue of the particular customer was less than 10% of the Group's revenue for the year ended 31 December 2017 and three months ended 31 March 2020.

**6 Revenue**

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Full-time formal higher education services . . . . .	631,410	673,027	733,480	119,593	124,116
— Tuition fees . . . . .	577,831	610,153	666,490	103,836	112,522
— Boarding fees <sup>(i)</sup> . . . . .	48,209	58,988	64,054	15,575	11,232
— Rental income of telecommunication device . . . . .	5,370	3,886	2,936	182	362
Continuing education services <sup>(i)(ii)</sup> . . . . .	43,621	58,642	76,435	10,510	13,919
Education resources and apprenticeship programme . . . . .	56,359	121,498	148,313	41,291	20,832
— Education resources . . . . .	26,428	22,233	34,506	2,473	3,665
— Apprenticeship programme . . . . .	29,931	99,265	113,807	38,818	17,167
	<u>731,390</u>	<u>853,167</u>	<u>958,228</u>	<u>171,394</u>	<u>158,867</u>

(i) Due to the outbreak of Coronavirus Disease 2019 in early 2020 ("COVID-19 outbreak"), the students of three universities and Neusoft Training School could not stay in the dormitories since the starting date of the second semester of the 2019/2020 school year. In March 2020, the management decided certain boarding fee received in advance for the second semester of the 2019/2020 school year would be refunded to the students ("Refunded boarding fee"). The management estimated the amount to be refunded mainly based on the period and the number of students estimated to be affected. Accordingly, the related contract liabilities were reclassified to refund liabilities (Note 29) as at 31 March 2020. Also, no revenue would be recognised from the Refunded Boarding fee since then. Subsequently, the Group announced the details of the refund to the students taking into account of the local government policy.

(ii) During the Track Record Period, Tianjin Ruidao and its subsidiaries did not experience on the unfulfillment of the agreed employment rate and didn't return any Committed Fees. As at 31 March 2020, the maximum exposure amount of Committed Fees was RMB498,000.

(a) Revenue from contracts with customers

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue from the transfer of goods and services over time					
Full-time formal higher education services . . . . .	626,040	669,141	730,544	119,411	123,754
— Tuition fees . . . . .	577,831	610,153	666,490	103,836	112,522
— Boarding fees . . . . .	48,209	58,988	64,054	15,575	11,232
Continuing education services . . . . .	43,621	58,642	76,435	10,510	13,919
Education resources and apprenticeship programme . . . . .	29,931	99,265	113,807	38,818	17,167
— Apprenticeship programme . . . . .	29,931	99,265	113,807	38,818	17,167
Revenue from the transfer of goods and services at a point in time					
Education resources and apprenticeship programme . . . . .	26,428	22,233	34,506	2,473	3,665
— Education resources . . . . .	26,428	22,233	34,506	2,473	3,665
	<u>726,020</u>	<u>849,281</u>	<u>955,292</u>	<u>171,212</u>	<u>158,505</u>

(b) Revenue from other sources

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Full-time formal higher education services					
— Rental income of telecommunication device . . . . .	5,370	3,886	2,936	182	362



## (c) Contract liabilities

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 December 2017, 2018, 2019 and 31 March 2020 and will be expected to be recognized within one year:

	As at 31 December			As at
	2017	2018	2019	31 March
	RMB'000	RMB'000	RMB'000	RMB'000
Full-time formal higher education services .....	382,229	408,488	445,530	296,815
— Tuition fees .....	346,560	367,584	400,600	288,845
— Boarding fees .....	35,669	40,904	44,930	7,970
Continuing education services .....	27,361	39,446	41,795	39,769
Education resources and apprenticeship programme .....	1,571	620	233	9,350
— Education resources .....	1,571	620	233	9,350
Development of software system technology .....	605	1,390	1,878	3,400
	<u>411,766</u>	<u>449,944</u>	<u>489,436</u>	<u>349,334</u>

The Group receives tuition fees, boarding fees, continuing education services fees, education resources and apprenticeship programme fee, and development of software system technology fees from customers in advance prior to the beginning of each school year or contract period. They are recognised over the relevant period of the applicable programme.

There were no contract assets at the end of each reporting period recognised in the Consolidated Statement of Financial Position.

## (1) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognized during the Track Record Period related to brought-forward contract liabilities:

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Revenue recognized that was included in the contract liabilities balance at the beginning of the year/period					
Full-time formal higher education services . . . . .	354,677	382,229	408,488	119,411	123,754
— Tuition fees . . . . .	326,060	346,560	367,584	103,836	112,522
— Boarding fees . . . . .	28,617	35,669	40,904	15,575	11,232
Continuing education services . . . . .	22,057	27,361	39,446	9,115	13,551
Education resources and apprenticeship programme . . . . .	1,008	1,571	620	751	373
— Education resources . . . . .	1,008	1,571	620	751	373
Development of software system technology . . . . .	526	605	1,390	1,317	865
	<u>378,268</u>	<u>411,766</u>	<u>449,944</u>	<u>130,594</u>	<u>138,543</u>

## (2) Unsatisfied contracts

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Expected to be recognized within one year				
Full-time formal higher education services . . . . .	382,229	408,488	445,530	296,815
— Tuition fees . . . . .	346,560	367,584	400,600	288,845
— Boarding fees . . . . .	35,669	40,904	44,930	7,970
Continuing education services . . . . .	27,361	39,446	41,975	39,769
Education resources and apprenticeship programme . . . . .	4,696	5,990	1,885	21,395
— Education resources . . . . .	4,696	5,990	1,885	21,395
Development of software system technology . . . . .	837	2,191	2,165	3,424
	<u>415,123</u>	<u>456,115</u>	<u>491,555</u>	<u>361,403</u>

## 7 Other income

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Rental income from properties . . . . .	25,457	27,996	28,866	6,984	7,587
Property service and management income . . . . .	17,947	17,011	18,754	4,624	4,414
Government grants and subsidies <sup>(a)</sup> . . . . .	13,245	13,156	16,358	1,534	3,915
Development of software system technology . . . . .	10,740	6,134	5,551	1,588	1,396
Interest income from loan to related parties and third party . . . . .	570	70	71	17	—
Matching service income . . . . .	2,502	—	—	—	—
Others . . . . .	3,944	1,440	1,934	643	7
	<u>74,405</u>	<u>65,807</u>	<u>71,534</u>	<u>15,390</u>	<u>17,319</u>

(a) Government grants and subsidies are related to the subsidies received from the government in connection with purchasing of teaching equipment, construction of certain buildings and for the purpose of compensation for expenses arising from research activities and software developments.

## 8 Other expense

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Depreciation of property, plant and equipment . . . . .	9,416	5,476	6,058	1,496	1,654
Property maintenance and fire protection expenses . . . . .	5,349	6,246	5,212	803	888
Development of software system technology expenses . . . . .	2,410	5,302	5,375	1,531	1,328
Employee benefit expenses . . . . .	356	819	578	108	132
Utilities expenses . . . . .	467	459	508	82	89
Amortization of land use rights and intangible assets . . . . .	718	718	718	180	180
Others . . . . .	292	186	487	2	9
	<u>19,008</u>	<u>19,206</u>	<u>18,936</u>	<u>4,202</u>	<u>4,280</u>

## 9 Other gains and losses

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Gains on financial assets at fair value through profit or loss	2,743	6,121	1,079	708	1,022
Write-off of payables	4,014	—	—	—	—
Donation received	586	192	605	46	4
Net (losses)/gains on disposal of property, plant and equipment	(1,155)	(2,594)	(820)	—	1
Losses on termination of leasing contract	(160)	—	—	—	—
Others	56	627	80	(88)	(88)
	<u>6,084</u>	<u>4,346</u>	<u>944</u>	<u>666</u>	<u>939</u>

## 10 Expenses by nature

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Employee benefit expenses	290,971	373,344	409,213	104,302	84,354
Depreciation and amortization expenses	112,902	100,710	101,578	26,569	29,724
Property management, landscaping and maintenance expenses	52,941	55,141	55,901	9,719	8,238
Course outsourcing service fees	18,738	—	—	—	—
Office and utilities expenses	58,308	71,736	97,598	9,152	10,822
Rental expense	7,383	25,275	36,780	8,727	10,972
Cost of publication <sup>(a)</sup>	15,533	6,756	5,302	514	290
Subcontract cost <sup>(b)</sup>	13,355	18,279	17,931	4,593	4,557
Taxes and fees	4,962	10,414	6,216	1,327	1,252
Auditors' remuneration — audit services	139	419	646	—	—
Listing expenses	—	9,364	20,728	3,535	1,363
Others	20,789	25,105	24,202	3,396	4,189
	<u>596,021</u>	<u>696,543</u>	<u>776,095</u>	<u>171,834</u>	<u>155,761</u>

(a) Cost of publication includes the cost of printing, the fees of using copyright and the cost of purchasing books.

- (b) Subcontract cost mainly includes the service fee paid by Foshan University to Foshan Wentong Education Consulting Services Co., Ltd. ("Wentong Education") for the administration and training service provided for adult students under continuing education services in Foshan University.

## 11 Employee benefit expense

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages and salaries	218,063	288,302	324,895	77,150	67,304
Contributions to pension plan <sup>(a)</sup>	27,173	34,277	36,864	11,063	5,788
Welfare and other expenses	46,091	51,584	48,032	16,197	11,394
	<u>291,327</u>	<u>374,163</u>	<u>409,791</u>	<u>104,410</u>	<u>84,486</u>

### (a) Contributions to pension plan

The employees of the Group in the PRC are members of a state-managed pension obligations operated by the PRC Government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

### (b) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group for the years ended 31 December 2017, 2018, 2019 and three months ended 31 March 2019 and 2020 include 3, 3, 2, 3 and 3 Directors, whose remuneration are included in the analysis presented in Note 37. Details of the remunerations of the remaining highest paid non-director individuals during the Track Record Period are set out as below:

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages and salaries	1,328	1,663	4,364	296	410
Contributions to pension plan <sup>(i)</sup>	110	117	152	9	—
Welfare and other expenses <sup>(i)</sup>	115	108	142	9	—
Total employee benefit expense	<u>1,553</u>	<u>1,888</u>	<u>4,658</u>	<u>314</u>	<u>410</u>

- (i) According to the regulations of PRC Government, employees who have retired but are still working for the Group are not entitled to contributions to pension plan and, welfare and other expenses.

The number of highest paid non-director individuals whose remunerations for each of the years/periods fell within the following band is as follows:

	No. of individuals			No. of individuals	
	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
				(Unaudited)	
Emolument band					
HK\$ 1,500,001 to HK\$ 2,000,000 .....	—	—	2	—	—
HK\$ 1,000,001 to HK\$ 1,500,000 .....	—	—	1	—	—
HK\$ 500,001 to HK\$ 1,000,000 .....	1	2	—	—	—
Nil to HK\$ 500,000 .....	<u>1</u>	<u>—</u>	<u>—</u>	<u>2</u>	<u>2</u>

During the Track Record Period, none of the five highest paid individuals waived or has agreed to waive any emoluments, and none of the five highest paid individuals received emoluments from the Group as inducement to join or upon joining the Group, or as compensation for loss of office.

## 12 Finance income and costs

	Year ended 31 December			Three months ended	
	31 December			31 March	
	2017	2018	2019	2019	2020
				(Unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Finance income					
Interest income from deposits .....	<u>1,041</u>	<u>1,973</u>	<u>3,387</u>	<u>596</u>	<u>891</u>

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Finance costs					
Interest expenses from bank	(19,251)	(25,842)	(42,023)	(7,680)	(12,805)
Interest expenses from leasing	(4,637)	(1,106)	(2,477)	(651)	(597)
Interest expenses from related party	(13,375)	(11,672)	(7,108)	(2,133)	—
Other charges	(133)	(659)	(427)	(297)	(43)
Net foreign exchange (gains)/losses	(25)	5	4	(5)	34
Amount capitalized <sup>(a)</sup>	<u>1,113</u>	<u>735</u>	<u>11,937</u>	<u>1,413</u>	<u>3,998</u>
	<u>(36,308)</u>	<u>(38,539)</u>	<u>(40,094)</u>	<u>(9,353)</u>	<u>(9,413)</u>
Net finance costs	<u>(35,267)</u>	<u>(36,566)</u>	<u>(36,707)</u>	<u>(8,757)</u>	<u>(8,522)</u>

(a) Finance costs have been capitalized on qualifying assets at an average interest rate of 4.46%, 4.73%, 4.80%, 4.82% and 4.88% per annum for the year ended 31 December 2017, 2018, 2019 and three months ended 31 March 2019 and 2020, respectively.

### 13 Income tax expense/(credit)

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Current tax on profits for the year/period	14,861	10,615	24,231	5,964	5,359
Deferred income tax (Note 19)	<u>3,507</u>	<u>(3,288)</u>	<u>(278)</u>	<u>(7,854)</u>	<u>(9,030)</u>
	<u>18,368</u>	<u>7,327</u>	<u>23,953</u>	<u>(1,890)</u>	<u>(3,671)</u>

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rate of PRC, the principal place of the Group's operations, as follows:

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	161,583	171,005	198,968	2,657	8,562
Tax calculated at a taxation rate of 25%	40,396	42,751	49,742	664	2,141
The impact of preferential tax rate	(21,249)	(40,972)	(25,547)	(4,276)	(6,608)
Expenses and losses not deductible for tax purposes	2,417	2,138	1,102	407	261
Tax losses for which no deferred tax assets was recognised	5,316	3,192	2,039	1,720	764
Non-taxable income	(1,609)	(1,121)	(981)	(230)	(229)
Utilisation of previously unrecognised tax losses	(6,903)	(1,982)	(3,065)	(175)	—
Others <sup>(a)</sup>	—	3,321	663	—	—
Tax charge	<u>18,368</u>	<u>7,327</u>	<u>23,953</u>	<u>(1,890)</u>	<u>(3,671)</u>

(a) Others

During the year ended 31 December 2018, pursuant to the Reorganisation, the tax charged were due to the investment gain of RMB13,284,000 arising on selling the equity investment of Shanghai Ruixiang (Note 1.2(4)) and Chengdu Software(Note 1.2(1)).

During the year ended 31 December 2019, pursuant to the Reorganisation, the tax charged were due to the investment gain of RMB2,650,000 arising on selling the equity investment of Dalian Technology (Note 1.2(15)) and Dalian Education(Note 1.2(16)).

(i) Cayman Islands profits tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(ii) British Virgin Islands profit tax

The Company's direct subsidiary in the British Virgin Islands was incorporated under the BVI Companies Act, 2004 and accordingly, is exempted from British Virgin Islands income tax.

(iii) Hong Kong profit tax

No provision for Hong Kong profit tax was provided as the Company and the Group did not have assessable profits in Hong Kong during the Track Record Period.



(iv) PRC corporate income tax ("CIT")

CIT is provided on assessable profits of entities incorporated in the PRC. Pursuant to the Corporate Income Tax Law of the PRC (the "CIT Law"), which was effective from 1 January 2008, the CIT was 25% during the Track Record Period.

(v) PRC Withholding Tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January, 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

During the Track Record Period, the Group had distributed certain portion of its PRC subsidiaries' retained earnings to owners. However, in the foreseeable future, the Group does not have any plan to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at the end of each reporting period.

(vi) Preferential EIT rate

Certain subsidiaries are entitled to preferential tax rates ranging from 0% to 15%, which are:

- Dalian Yunguan is exempt from EIT for two years since 2015, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2017 to 2019. It is subject to an EIT rate 12.5%, 12.5%, 12.5% and 12.5% for the years ended 31 December 2017, 2018, 2019 and three months ended 31 March 2019.

For the period ended of 31 March 2020, Dalian Yunguan is qualified as a high-tech enterprise and entitled to a preferential tax rate of 15%.

- Shanghai Ruixiang is exempt from EIT for two years since 2017, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2019 to 2021. It is subject to an EIT rate of 0%, 0%, 12.5%, 12.5% and 12.5% for the years ended 31 December 2017, 2018, 2019 and three months ended 31 March 2019 and 2020.
- Dalian Education is exempt from EIT for two years since 2019, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years from 2021 to 2023. It is subject to an EIT rate of 0%, 0% and 0% for the year ended 31 December 2019 and three months ended 31 March 2019 and 2020.
- The subsidiaries of Tianjin Ruidao are small low-profit enterprises, followed by a reduced tax rate of 20%.

(vii) Deferred tax assets not recognised

As at 31 December 2017, 2018, 2019 and 31 March 2019 and 2020, the Group has unused tax losses of RMB19,038,000, RMB25,975,000, RMB10,003,000, RMB7,010,000 and RMB13,804,000, respectively, which will expire in one to five years for offsetting against future profits. Deferred tax assets have been not recognised in respect of these tax losses as they have arisen in subsidiaries that have been loss-making for recent years and it is not considered probable that future taxable profits will be available against which the tax losses can be utilised.

#### 14 Dividends

No dividend has been paid or declared by the Company since its incorporation.

Dividends during each of the years ended 31 December 2017, 2018 and 2019 represented dividends declared by the companies now comprising the Group to the then equity holders of the companies for each of the years ended 31 December 2017, 2018 and 2019, after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

Each of the subsidiaries of the Company who had declared and paid dividends to its shareholders during the Track Record Period had sufficient retained earnings available for distribution when it declared and paid such dividends, which was in compliance with the PRC Company Law.

Chengdu Development and Foshan Development accrued dividends to their non-controlling interests, Yida Group, amounting to approximately RMB467,000. This amount has not been paid as at 31 March 2020, and expected to be paid prior to the Listing.

Tianjin Ruidao (relating to the provision of education software development business transfer to the Group in Note 1.2(9)) declared dividends to Neusoft Holdings and its non-controlling interests in 2017, amounting to approximately RMB25,324,000 and RMB2,532,000 respectively. The amount has been paid.

Tianjin Ruidao (relating to the provision of education software development business transfer to the Group in Note 1.2(9)) declared dividends to Neusoft Holdings and its non-controlling interests in 2018, amounting to approximately RMB21,766,000 and RMB2,176,000 respectively. The amount has been paid.

Dalian Yunguan declared dividends to Neusoft Holdings in 2018, amounting to approximately RMB35,000,000. The amount has been paid.

Dalian Education declared dividends to its non-controlling interests in 2019, amounting to approximately RMB3,536,000. The amount has been paid.

**15 Earnings per share**

## (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the Track Record Period.

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
				(Unaudited)	
Profit attributable to owners of the Company(RMB'000) . . . . .	114,818	131,991	139,213	3,661	9,706
Weighted average number of ordinary share in issue(in thousands) . . . . .	500,000	500,000	500,000	500,000	500,000
Basic earnings per share <sup>(i)</sup> (in RMB) . . . . .	<u>0.23</u>	<u>0.26</u>	<u>0.28</u>	<u>0.01</u>	<u>0.02</u>

(i) The earnings per share presented above is calculated by using the weighted average number of ordinary shares in issue during the Track Record Period. In determining the weighted average number of ordinary shares in issue, the 1,000,000,000 shares issued on 31 August 2018, which are treated as if have been in issue since 1 January 2017. The earnings per share calculations reflected the share consolidation on 22 October 2019 (Note 25).

## (b) Diluted earnings per share

The Company did not have any potential dilutive shares throughout the Track Record Period. Accordingly, diluted earnings per share are the same as the basic earnings per share.

**16 Right-of-use assets**

	Land use right	Leased Properties	Total
	RMB'000	RMB'000	RMB'000
<b>Year ended 31 December 2017</b>			
Opening net book amount . . . . .	247,574	163,445	411,019
Additions . . . . .	26,864	9,060	35,924
Depreciation . . . . .	(6,897)	(28,331)	(35,228)
Remeasurement upon modification <sup>(d)</sup> . . . . .	—	(132,704)	(132,704)
Closing net book amount . . . . .	<u>267,541</u>	<u>11,470</u>	<u>279,011</u>
<b>Year ended 31 December 2018</b>			
Opening net book amount . . . . .	267,541	11,470	279,011
Additions . . . . .	—	49,369	49,369
Depreciation . . . . .	(7,536)	(8,873)	(16,409)
Closing net book amount . . . . .	<u>260,005</u>	<u>51,966</u>	<u>311,971</u>

	<u>Land use right</u>	<u>Leased Properties</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000
<b>Year ended 31 December 2019</b>			
Opening net book amount .....	260,005	51,966	311,971
Additions .....	147,472	501	147,973
Depreciation .....	<u>(8,518)</u>	<u>(8,586)</u>	<u>(17,104)</u>
Closing net book amount .....	<u>398,959</u>	<u>43,881</u>	<u>442,840</u>
<b>Three months ended 31 March 2020</b>			
Opening net book amount .....	398,959	43,881	442,840
Acquisition of a subsidiary (Note 34) .....	—	10,441	10,441
Depreciation .....	<u>(2,798)</u>	<u>(2,285)</u>	<u>(5,083)</u>
Closing net book amount .....	<u>396,161</u>	<u>52,037</u>	<u>448,198</u>
<b>Three months ended 31 March 2019</b>			
<b>(Unaudited)</b>			
Opening net book amount .....	260,005	51,966	311,971
Additions .....	31,919	428	32,347
Depreciation .....	<u>(2,077)</u>	<u>(2,147)</u>	<u>(4,224)</u>
Closing net book amount .....	<u>289,847</u>	<u>50,247</u>	<u>340,094</u>

- (a) The Group's land use rights are purchased from the government and other enterprises. All the land use rights have proper title deeds.
- (b) As at 31 December 2017 and 2018, land use right with a net book value of RMB22,767,000 and RMB22,106,000 had been pledged as collateral for the Group's borrowings. As at 31 December 2019, the collateral has been released (Note 30).
- (c) As at 31 December 2017, 2018, 2019 and 31 March 2019 and 2020, five parcels of land owned by Foshan University with a net book value of RMB14,134,000, RMB13,730,000, RMB13,326,000, RMB13,629,000 and RMB13,225,000 respectively have not had substantial construction on them. A parcel of land may be regarded as idle land by relevant government authorities if the land use right owner of the land fails to commence land development within one year. The idle land fee to be charged equals to 20% of the price paid by the first purchaser acquiring land from government. If the idle land remains undeveloped for two years, local land and resources authorities may confiscate the land use right without compensating the land use right owner. In September 2019, the competent local government authority issued a letter to Foshan University certifying that the four parcels of land which Foshan University currently have no plan to develop are not ready for development. The rest parcel of land is in condition of planning for construction. Our Directors are of the view that the risk that the five parcels of land are regarded as idle land is remote, no provision has been made in the Historical Financial Information.
- (d) Dalian University leased the properties from Dalian Software Park Co., Ltd. for 5 years as a dormitory since 2016. The leased properties were recognized as a right-of-use asset. The leases were modified through shortening the contractual lease term and changing the consideration in 2017. As the result, the corresponding right-of-use asset was adjusted.

## 17 Property, plant and equipment

	Furniture							Total
	Buildings	Renovation	Motor vehicles	Electronic equipment	and fixtures	Others	Construction in progress	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>At 1 January 2017</b>								
Cost	1,313,387	20,009	4,709	198,348	130,264	10,807	1,510	1,679,034
Accumulated depreciation	(313,890)	(10,049)	(3,681)	(153,227)	(93,745)	(8,414)	—	(583,006)
Net book amount	<u>999,497</u>	<u>9,960</u>	<u>1,028</u>	<u>45,121</u>	<u>36,519</u>	<u>2,393</u>	<u>1,510</u>	<u>1,096,028</u>
<b>Year ended 31 December 2017</b>								
Opening net book amount	999,497	9,960	1,028	45,121	36,519	2,393	1,510	1,096,028
Additions	—	4,631	—	26,175	21,250	4,239	43,911	100,206
Transfer upon completion	44,622	—	—	—	325	—	(44,947)	—
Disposals	—	(85)	—	(901)	(622)	—	—	(1,608)
Depreciation charge	(50,462)	(7,582)	(296)	(17,708)	(8,788)	(830)	—	(85,666)
Closing net book amount	<u>993,657</u>	<u>6,924</u>	<u>732</u>	<u>52,687</u>	<u>48,684</u>	<u>5,802</u>	<u>474</u>	<u>1,108,960</u>
<b>At 31 December 2017</b>								
Cost	1,358,009	24,117	4,709	206,597	138,619	15,046	474	1,747,571
Accumulated depreciation	(364,352)	(17,193)	(3,977)	(153,910)	(89,935)	(9,244)	—	(638,611)
Net book amount	<u>993,657</u>	<u>6,924</u>	<u>732</u>	<u>52,687</u>	<u>48,684</u>	<u>5,802</u>	<u>474</u>	<u>1,108,960</u>
<b>Year ended 31 December 2018</b>								
Opening net book amount	993,657	6,924	732	52,687	48,684	5,802	474	1,108,960
Additions	—	7,692	—	13,114	3,447	1,766	31,926	57,945
Disposals	—	—	—	(1,961)	(682)	(1)	—	(2,644)
Depreciation charge	(51,518)	(3,360)	(210)	(20,797)	(10,686)	(1,493)	—	(88,064)
Closing net book amount	<u>942,139</u>	<u>11,256</u>	<u>522</u>	<u>43,043</u>	<u>40,763</u>	<u>6,074</u>	<u>32,400</u>	<u>1,076,197</u>
<b>At 31 December 2018</b>								
Cost	1,358,009	31,497	4,709	178,414	135,452	16,781	32,400	1,757,262
Accumulated depreciation	(415,870)	(20,241)	(4,187)	(135,371)	(94,689)	(10,707)	—	(681,065)
Net book amount	<u>942,139</u>	<u>11,256</u>	<u>522</u>	<u>43,043</u>	<u>40,763</u>	<u>6,074</u>	<u>32,400</u>	<u>1,076,197</u>
<b>Year ended 31 December 2019</b>								
Opening net book amount	942,139	11,256	522	43,043	40,763	6,074	32,400	1,076,197
Additions	—	7,427	445	23,762	7,314	1,476	175,707	216,131
Transfer upon completion	45,211	24,364	—	—	—	—	(69,575)	—
Disposals	(516)	—	(18)	(483)	(149)	—	—	(1,166)
Depreciation charge	(51,835)	(4,471)	(165)	(20,359)	(10,430)	(1,535)	—	(88,795)
Closing net book amount	<u>934,999</u>	<u>38,576</u>	<u>784</u>	<u>45,963</u>	<u>37,498</u>	<u>6,015</u>	<u>138,532</u>	<u>1,202,367</u>

	Furniture							
	Buildings	Renovation	Motor vehicles	Electronic equipment	and fixtures	Others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 31 December 2019</b>								
Cost	1,402,704	55,156	4,795	191,482	140,304	18,257	138,532	1,951,230
Accumulated depreciation	(467,705)	(16,580)	(4,011)	(145,519)	(102,806)	(12,242)	—	(748,863)
Net book amount	<u>934,999</u>	<u>38,576</u>	<u>784</u>	<u>45,963</u>	<u>37,498</u>	<u>6,015</u>	<u>138,532</u>	<u>1,202,367</u>
<b>Three months ended</b>								
<b>31 March 2020</b>								
Opening net book amount	934,999	38,576	784	45,963	37,498	6,015	138,532	1,202,367
Acquisition of a subsidiary (Note 34)	—	4,983	—	14,447	1,081	608	—	21,119
Additions	—	130	—	3,658	47	—	38,730	42,565
Transfer upon completion	1,067	—	—	—	—	—	(1,067)	—
Depreciation charge	(13,088)	(1,955)	(45)	(6,443)	(2,782)	(933)	—	(25,246)
Closing net book amount	<u>922,978</u>	<u>41,734</u>	<u>739</u>	<u>57,625</u>	<u>35,844</u>	<u>5,690</u>	<u>176,195</u>	<u>1,240,805</u>
<b>At 31 March 2020</b>								
Cost	1,403,771	64,005	4,795	231,482	144,950	19,245	176,195	2,044,443
Accumulated depreciation	(480,793)	(22,271)	(4,056)	(173,857)	(109,106)	(13,555)	—	(803,638)
Net book amount	<u>922,978</u>	<u>41,734</u>	<u>739</u>	<u>57,625</u>	<u>35,844</u>	<u>5,690</u>	<u>176,195</u>	<u>1,240,805</u>
<b>Three months ended</b>								
<b>31 March 2019 (Unaudited)</b>								
Opening net book amount	942,139	11,256	522	43,043	40,763	6,074	32,400	1,076,197
Additions	—	1,380	—	1,043	51	106	31,639	34,219
Depreciation charge	(13,030)	(948)	(50)	(5,729)	(2,076)	(1,531)	—	(23,364)
Closing net book amount	<u>929,109</u>	<u>11,688</u>	<u>472</u>	<u>38,357</u>	<u>38,738</u>	<u>4,649</u>	<u>64,039</u>	<u>1,087,052</u>
<b>At 31 March 2019</b>								
Cost	1,358,009	32,877	4,709	179,457	135,503	16,887	64,039	1,791,481
Accumulated depreciation	(428,900)	(21,189)	(4,237)	(141,100)	(96,765)	(12,238)	—	(704,429)
Net book amount	<u>929,109</u>	<u>11,688</u>	<u>472</u>	<u>38,357</u>	<u>38,738</u>	<u>4,649</u>	<u>64,039</u>	<u>1,087,052</u>

- (a) Construction in progress as at 31 December 2017, 2018, 2019 and 31 March 2019 and 2020 comprises buildings being constructed.
- (b) As at 31 December 2017 and 2018, buildings with a net book value of RMB78,491,000 and RMB73,099,000 had been pledged as collateral for the Group's borrowings. As at 31 December 2019, the collateral has been released (Note 30).
- (c) As at 31 December 2017 and 2018, the net book value of buildings without property certificates were RMB90,405,000 and RMB34,475,000. As at 31 December 2019 and 31 March 2020, the Group has obtained the property certificates for all the buildings.

- (d) As at 31 December 2017, 2018, 2019 and 31 March 2019 and 2020, buildings with a net book value of RMB96,838,000, RMB91,698,000, RMB86,558,000, RMB90,413,000 and RMB85,273,000 had been leases out.

## 18 Intangible assets

	<u>Goodwill</u>	<u>Brand</u>	<u>Customer relationship</u>	<u>Software</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<b>At 1 January 2017</b>					
Cost .....	—	—	—	17,454	17,454
Accumulated amortisation .....	—	—	—	(6,346)	(6,346)
Net book amount .....	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,108</u>	<u>11,108</u>
<b>Year ended 31 December 2017</b>					
Opening net book amount .....	—	—	—	11,108	11,108
Additions .....	—	—	—	2,580	2,580
Amortisation .....	—	—	—	(2,142)	(2,142)
Closing net book amount .....	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,546</u>	<u>11,546</u>
<b>At 31 December 2017</b>					
Cost .....	—	—	—	20,034	20,034
Accumulated amortisation .....	—	—	—	(8,488)	(8,488)
Net book amount .....	<u>—</u>	<u>—</u>	<u>—</u>	<u>11,546</u>	<u>11,546</u>
<b>Year ended 31 December 2018</b>					
Opening net book amount .....	—	—	—	11,546	11,546
Additions .....	—	—	—	1,109	1,109
Amortisation .....	—	—	—	(2,431)	(2,431)
Closing net book amount .....	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,224</u>	<u>10,224</u>
<b>At 31 December 2018</b>					
Cost .....	—	—	—	21,143	21,143
Accumulated amortisation .....	—	—	—	(10,919)	(10,919)
Net book amount .....	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,224</u>	<u>10,224</u>
<b>Year ended 31 December 2019</b>					
Opening net book amount .....	—	—	—	10,224	10,224
Additions .....	—	—	—	2,967	2,967
Amortisation .....	—	—	—	(2,455)	(2,455)
Closing net book amount .....	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,736</u>	<u>10,736</u>

	<u>Goodwill</u>	<u>Brand</u>	<u>Customer relationship</u>	<u>Software</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 31 December 2019</b>					
Cost .....	—	—	—	24,110	24,110
Accumulated amortisation .....	—	—	—	(13,374)	(13,374)
Net book amount .....	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,736</u>	<u>10,736</u>
<b>Three months ended 31 March 2020</b>					
Opening net book amount .....	—	—	—	10,736	10,736
Acquisition of a subsidiary (Note 34) .....	134,937	89,499	66,907	2,357	293,700
Additions .....	—	—	—	224	224
Amortisation .....	—	—	(558)	(746)	(1,304)
Closing net book amount .....	<u>134,937</u>	<u>89,499</u>	<u>66,349</u>	<u>12,571</u>	<u>303,356</u>
<b>At 31 March 2020</b>					
Cost .....	134,937	89,499	66,907	27,817	319,160
Accumulated amortisation .....	—	—	(558)	(15,246)	(15,804)
Net book amount .....	<u>134,937</u>	<u>89,499</u>	<u>66,349</u>	<u>12,571</u>	<u>303,356</u>
<b>Three months ended 31 March 2019 (Unaudited)</b>					
Opening net book amount .....	—	—	—	10,224	10,224
Additions .....	—	—	—	94	94
Amortisation .....	—	—	—	(657)	(657)
Closing net book amount .....	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,661</u>	<u>9,661</u>
<b>At 31 March 2019</b>					
Cost .....	—	—	—	21,237	21,237
Accumulated amortisation .....	—	—	—	(11,576)	(11,576)
Net book amount .....	<u>—</u>	<u>—</u>	<u>—</u>	<u>9,661</u>	<u>9,661</u>

**(a) Impairment tests for goodwill and brand**

Goodwill of RMB134,937,000 and brand of RMB89,499,000 are resulted from the acquisition of Tianjin Ruidao (Note 34) on 1 March 2020. Tianjin Ruidao is principally engaged in the provision of IT value-added education service in the PRC.

Goodwill and brand that arose from the acquisition of Tianjin Ruidao are monitored by the management at the level of CGU, Tianjin Ruidao. The following tables set out the key assumptions for the CGU and the recoverable amounts exceed the carrying amount (including goodwill and brand) of the CGU by RMB88,083,000.

	<u>As at 31 March</u>
	<u>2020</u>
Revenue growth rate (%) .....	20.0
Costs and operating expenses (% of revenue) (%) .....	84.5
Long-term growth rate (%) .....	3.0
Pre-tax discount rate (%) .....	12.37



Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Revenue growth rate . . . . .	Average revenue growth rate over the five-year forecast period is based on past performance and management’s expectations of market development.
Costs and operating expenses . . . . .	The percentage of costs and operating expenses of revenue is the average percentages over the five-year forecast period. It is based on current margin levels, with adjustments made to reflect the expected future price rises in labor, rental and relevant electronic equipment, in which management does not expect to be able to pass on to customers through price increases.
Long-term growth rate . . . . .	This is the weighted average growth rate used to extrapolate cash flows rate beyond the forecast period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rate . . . . .	The discount rate used reflects specific risks relating to the cash-generating units.

**(b) Impact of possible changes in key assumptions**

The recoverable amount of this CGU would equal its carrying amount if the key assumptions were to change as follows:

	From	To
Revenue growth rate (%) . . . . .	20.0	17.3
Costs and operating expenses (% of revenue) (%) . . . . .	84.5	86.1
Long-term growth rate (%) . . . . .	3.0	0.2
Pre-tax discount rate (%) . . . . .	12.37	13.25

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the Tianjin Ruidao CGU to exceed its recoverable amount.

## 19 Deferred income tax assets and liabilities

	As at 31 December			As at
	2017	2018	2019	31 March
	RMB'000	RMB'000	RMB'000	2020
<b>Deferred income tax assets</b>				
Deferred income tax assets to be recovered within 12 months . . . . .	1,543	1,649	1,649	10,074
Deferred income tax assets to be recovered after more than				
12 months . . . . .	<u>32,790</u>	<u>34,809</u>	<u>33,160</u>	<u>32,749</u>
	<u>34,333</u>	<u>36,458</u>	<u>34,809</u>	<u>42,823</u>
<b>Deferred income tax liabilities</b>				
Deferred income tax liabilities to be settled within 12 months . . . . .	(2,819)	(2,981)	(2,571)	(3,106)
Deferred income tax liabilities to be settled after more than				
12 months . . . . .	<u>(7,050)</u>	<u>(5,725)</u>	<u>(4,208)</u>	<u>(42,699)</u>
	<u>(9,869)</u>	<u>(8,706)</u>	<u>(6,779)</u>	<u>(45,805)</u>

The gross movement of the Group's deferred income tax assets is as follows:

	Year ended 31 December			As at 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of the year/period . . . . .	35,876	34,333	36,458	36,458	34,809
(Debited)/Credited to the consolidated statements of					
comprehensive income . . . . .	<u>(1,543)</u>	<u>2,125</u>	<u>(1,649)</u>	<u>7,321</u>	<u>8,014</u>
End of the year/period . . . . .	<u>34,333</u>	<u>36,458</u>	<u>34,809</u>	<u>43,779</u>	<u>42,823</u>

The gross movement of the Group's deferred income tax liabilities is as follows:

	Year ended 31 December			As at 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of the year/period . . . . .	(7,905)	(9,869)	(8,706)	(8,706)	(6,779)
(Debited)/Credited to the consolidated statements of comprehensive income . . . . .	(1,964)	1,163	1,927	533	1,016
Acquisition of a subsidiary (Note 34) . . . . .	—	—	—	—	(40,042)
End of the year/period . . . . .	<u>(9,869)</u>	<u>(8,706)</u>	<u>(6,779)</u>	<u>(8,173)</u>	<u>(45,805)</u>

The movements in deferred income tax assets and liabilities of the Group during the year ended 31 December 2017, 2018, 2019 and three months ended 31 March 2019 and 2020, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

(a) Deferred tax assets

	Unrealised gain on intra-group transactions			Tax losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017 . . . . .	35,876	—	—	—	35,876
Debited to the consolidated statements of comprehensive income . . . . .	(1,543)	—	—	—	(1,543)
<b>Balance at 31 December 2017</b> . . . . .	<u>34,333</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>34,333</u>
Balance at 1 January 2018 . . . . .	34,333	—	—	—	34,333
Credited to the consolidated statements of comprehensive income . . . . .	2,125	—	—	—	2,125
<b>Balance at 31 December 2018</b> . . . . .	<u>36,458</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>36,458</u>
Balance at 1 January 2019 . . . . .	36,458	—	—	—	36,458
Debited to the consolidated statements of comprehensive income . . . . .	(1,649)	—	—	—	(1,649)
<b>Balance at 31 December 2019</b> . . . . .	<u>34,809</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>34,809</u>
Balance at 1 January 2020 . . . . .	34,809	—	—	—	34,809
(Debited)/Credited to the consolidated statements of comprehensive income . . . . .	(413)	8,427	—	8,427	8,014
<b>Balance at 31 March 2020</b> . . . . .	<u>34,396</u>	<u>8,427</u>	<u>—</u>	<u>8,427</u>	<u>42,823</u>
Balance at 1 January 2019 (Unaudited) . . . . .	36,458	—	—	—	36,458
(Debited)/Credited to the consolidated statements of comprehensive income . . . . .	(413)	7,734	—	7,734	7,321
<b>Balance at 31 March 2019</b> . . . . .	<u>36,045</u>	<u>7,734</u>	<u>—</u>	<u>7,734</u>	<u>43,779</u>

## (b) Deferred tax liabilities

	<u>Customer relationship</u>	<u>Brand</u>	<u>Property, plant and equipment</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017 .....	—	—	(7,905)	(7,905)
Debited to the consolidated statements of comprehensive income .....	—	—	(1,964)	(1,964)
<b>Balance at 31 December 2017</b> .....	<u>—</u>	<u>—</u>	<u>(9,869)</u>	<u>(9,869)</u>
Balance at 1 January 2018 .....	—	—	(9,869)	(9,869)
Credited to the consolidated statements of comprehensive income .....	—	—	1,163	1,163
<b>Balance at 31 December 2018</b> .....	<u>—</u>	<u>—</u>	<u>(8,706)</u>	<u>(8,706)</u>
Balance at 1 January 2019 .....	—	—	(8,706)	(8,706)
Credited to the consolidated statements of comprehensive income .....	—	—	1,927	1,927
<b>Balance at 31 December 2019</b> .....	<u>—</u>	<u>—</u>	<u>(6,779)</u>	<u>(6,779)</u>
Balance at 1 January 2020 .....	—	—	(6,779)	(6,779)
Credited to the consolidated statements of comprehensive income .....	—	—	1,016	1,016
Acquisition of a subsidiary (Note 34) .....	(16,727)	(22,374)	(941)	(40,042)
<b>Balance at 31 March 2020</b> .....	<u>(16,727)</u>	<u>(22,374)</u>	<u>(6,704)</u>	<u>(45,805)</u>
Balance at 1 January 2019 (Unaudited) .....	—	—	(8,706)	(8,706)
Credited to the consolidated statements of comprehensive income .....	—	—	533	533
<b>Balance at 31 March 2019</b> .....	<u>—</u>	<u>—</u>	<u>(8,173)</u>	<u>(8,173)</u>

## 20 Financial instruments

	Financial assets measured at amortised cost	Fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
<b>At 31 December 2017</b>			
<b>Assets as per consolidated statement of financial position</b>			
Trade and other receivables excluding non-financial assets . . . . .	161,932	—	161,932
Financial products as designed by a financial institution (Note 23) . . . . .	—	2,082	2,082
Cash and cash equivalents (Note 24) . . . . .	332,558	—	332,558
Restricted cash (Note 24) . . . . .	16	—	16
	<u>494,506</u>	<u>2,082</u>	<u>496,588</u>

Amortised cost  
RMB'000

**At 31 December 2017****Liabilities as per consolidated statement of financial position**

Borrowings (Note 30) . . . . .	426,500
Trade and other payables excluding non-financial liabilities (Note 29) . . . . .	362,303
	<u>788,803</u>

	Financial assets measured at amortised cost	Fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
<b>At 31 December 2018</b>			
<b>Assets as per consolidated statement of financial position</b>			
Trade and other receivables excluding non-financial assets . . . . .	22,900	—	22,900
Financial products as designed by a financial institution (Note 23) . . . . .	—	87,794	87,794
Cash and cash equivalents (Note 24) . . . . .	214,834	—	214,834
Restricted cash (Note 24) . . . . .	13,682	—	13,682
	<u>251,416</u>	<u>87,794</u>	<u>339,210</u>

	<u>Amortised cost</u>
	RMB'000
<b>At 31 December 2018</b>	
<b>Liabilities as per consolidated statement of financial position</b>	
Borrowings (Note 30) .....	527,980
Trade and other payables excluding non-financial liabilities (Note 29) .....	114,899
	<u>642,879</u>

	<u>Financial assets measured at amortised cost</u>	<u>Fair value through profit or loss</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000
<b>At 31 December 2019</b>			
<b>Assets as per consolidated statement of financial position</b>			
Trade and other receivables excluding non-financial assets .....	26,483	—	26,483
Financial products as designed by a financial institution (Note 23) .....	—	50	50
Cash and cash equivalents (Note 24) .....	562,882	—	562,882
Restricted cash (Note 24) .....	<u>10,215</u>	<u>—</u>	<u>10,215</u>
	<u>599,580</u>	<u>50</u>	<u>599,630</u>

	<u>Amortised cost</u>
	RMB'000
<b>At 31 December 2019</b>	
<b>Liabilities as per consolidated statement of financial position</b>	
Borrowings (Note 30) .....	998,798
Trade and other payables excluding non-financial liabilities (Note 29) .....	168,708
	<u>1,167,506</u>

	Financial assets measured at amortized cost	Fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
<b>At 31 March 2020</b>			
<b>Assets as per consolidated statement of financial position</b>			
Trade and other receivables excluding non-financial assets . . . . .	44,221	—	44,221
Financial products as designed by a financial institution (Note 23) . . . . .	—	192,660	192,660
Cash and cash equivalents (Note 24) . . . . .	455,013	—	455,013
Restricted cash (Note 24) . . . . .	11,694	—	11,694
	<u>510,928</u>	<u>192,660</u>	<u>703,588</u>

Amortised  
cost  
RMB'000

**At 31 March 2020****Liabilities as per consolidated statement of financial position**

Borrowings (Note 30) . . . . .	1,098,834
Trade and other payables excluding non-financial liabilities (Note 29) . . . . .	568,464
	<u>1,667,298</u>

**21 Trade and notes receivables**

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Due from related parties (Note 36(d)) . . . . .	19,064	9,022	442	917
Receivables from continuing education services . . . . .	3,593	1,812	1,293	2,764
Receivables from education resources services . . . . .	1,033	1,924	4,145	10,368
Receivables from development of software system technology . . . . .	106	248	131	2
Receivables from apprenticeship programme . . . . .	—	—	—	496
Others . . . . .	307	1,586	137	340
<b>Trade receivables</b> . . . . .	<u>24,103</u>	<u>14,592</u>	<u>6,148</u>	<u>14,887</u>
Notes receivables . . . . .	—	—	—	2,221
<b>Trade and notes receivables</b> . . . . .	<u>24,103</u>	<u>14,592</u>	<u>6,148</u>	<u>17,108</u>

The Group's trade receivables were denominated in RMB and the carrying amounts approximated their fair values.

- (a) The credit terms of trade receivables granted by the Group are generally no more than 180 days after the invoice date. As at 31 December 2017, 2018, 2019 and 31 March 2020, the ageing analysis of the trade receivable was as follows:

	As at 31 December			As at
	2017	2018	2019	31 March
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 6 months .....	19,610	14,459	5,803	13,226
6 months to 1 year .....	3,962	—	—	118
1 to 2 years .....	459	133	345	824
More than 2 years .....	72	—	—	719
	<u>24,103</u>	<u>14,592</u>	<u>6,148</u>	<u>14,887</u>



## 22 Prepayments, deposits and other receivables

	As at 31 December			As at
				31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Other receivables and deposits</b>				
Due from related parties (Note 36(d))	20,605	—	—	1,207
Receivables from related parties due to reorganisation <sup>(a)</sup>	109,532	—	—	—
Loan receivable from third parties	1,600	1,600	1,500	1,500
Advance to staff	3,970	3,093	2,733	3,765
Advance to third parties	1,516	2,425	2,508	2,740
Deposits	413	868	13,549	17,862
Deductible VAT input and prepaid income tax fees	1,134	9,205	6,010	8,080
Others	193	322	45	39
Less: non-current portion				
— Deposits			(11,500)	(11,500)
— Loan receivable from third parties	(1,600)	(1,200)	(1,500)	(1,500)
<b>Other receivables and deposits — current portion</b>	<b>137,363</b>	<b>16,313</b>	<b>13,345</b>	<b>22,193</b>
<b>Prepayment</b>				
Prepayment for utilities	1,654	2,250	3,812	3,437
Prepayment for leases	12,915	18,051	23,737	15,016
Prepayment for property maintenance expenses	4,099	6,040	—	2,339
Prepayment to related parties (Note 36(d))	69	48	55	—
Prepayment in relation to the Listing <sup>(b)</sup>	—	2,820	4,126	4,297
Prepayment to others	4,642	413	224,991	225,097
Less: non-current portion				
— Prepayments for property, plant and equipment	(144)	—	(541)	(472)
— Prepayments for land use right	—	—	(223,616)	(223,616)
<b>Prepayments — current portion</b>	<b>23,235</b>	<b>29,622</b>	<b>32,564</b>	<b>26,098</b>
<b>Total prepayments, deposits and other receivables</b>	<b>160,598</b>	<b>45,935</b>	<b>45,909</b>	<b>48,291</b>

The Group's prepayments, deposits and other receivables were denominated in RMB and the carrying amounts approximated their fair values.

- (a) As described in Note 26(d), the receivables are due from Neusoft Holding and Tianjin Ruidao for the reorganisation of the business of "Cloud services business" and education software development business. On 30 September 2018, the businesses were acquired by Dalian Yunguan and the receivables have been waived by Dalian Yunguan thereof.
- (b) The listing expenses that are attributable to the issuance to new shares are accrued during the listing process and will be deducted from equity when issuing new shares.

**23 Financial assets at fair value through profit or loss**

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Financial products sponsored and managed by banks (Note 3.3) .....	<u>2,082</u>	<u>87,794</u>	<u>50</u>	<u>192,660</u>

**24 Cash and cash equivalents and restricted cash****(a) Cash and cash equivalents**

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand .....	70	126	109	162
Cash at banks .....	272,488	214,708	532,773	454,851
Short-term deposit with initial terms within three months .....	<u>60,000</u>	<u>—</u>	<u>30,000</u>	<u>—</u>
<b>Cash and cash equivalents</b> .....	<u>332,558</u>	<u>214,834</u>	<u>562,882</u>	<u>455,013</u>

**(b) Restricted cash**

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
For securing deposits .....	<u>16</u>	<u>13,682</u>	<u>10,215</u>	<u>11,694</u>

**25 Share capital****Share capital**

On 31 August 2018, the Company issued 1,000,000,000 shares with par value of HK\$0.0001 each. As at 31 December 2018, the authorised shares and issued shares are 3,800,000,000 and 1,000,000,000 respectively. On 22 October 2019, the Company consolidated its shares on a two-to-one basis, so that as at 31 December 2019 and 31 March 2020, its authorised share capital becomes HK\$380,000 divided into 1,900,000,000 ordinary shares of HK\$0.0002 par value each, of which 500,000,000 ordinary shares are in issue.

## 26 Share premium and Reserves

	Combined share capital	Share premium	Merge reserve	Capital reserve	Statutory surplus reserves <sup>(a)</sup>	Other reserves	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2017</b> .....	306,308	—	—	61,780	106,737	—	474,825
Profit appropriation to statutory surplus reserves <sup>(a)</sup> .....	—	—	—	—	5,506	—	5,506
Deemed contribution from owners <sup>(c)</sup> .....	—	—	—	9,626	—	—	9,626
Transactions with non-controlling interests <sup>(b)</sup> .....	—	—	—	119	—	—	119
<b>At 31 December 2017</b> .....	<u>306,308</u>	<u>—</u>	<u>—</u>	<u>71,525</u>	<u>112,243</u>	<u>—</u>	<u>490,076</u>
<b>At 1 January 2018</b> .....	306,308	—	—	71,525	112,243	—	490,076
Profit appropriation to statutory surplus reserves <sup>(a)</sup> .....	—	—	—	—	16,550	—	16,550
Deemed distribution to owners <sup>(c)</sup> .....	—	—	—	(84,150)	—	—	(84,150)
Deemed distribution — cash consideration <sup>(d)</sup> .....	(16,164)	—	—	(51,182)	—	—	(67,346)
Capital injection .....	88	—	—	—	—	—	88
Other comprehensive income .....	—	—	—	—	—	1	1
<b>At 31 December 2018</b> .....	<u>290,232</u>	<u>—</u>	<u>—</u>	<u>(63,807)</u>	<u>128,793</u>	<u>1</u>	<u>355,219</u>
<b>At 1 January 2019</b> .....	290,232	—	—	(63,807)	128,793	1	355,219
Transfer upon the completion of reorganisation .....	(290,232)	2,046,481	(1,756,337)	—	—	—	(88)
Profit appropriation to statutory surplus reserves <sup>(a)</sup> .....	—	—	—	—	12,773	—	12,773
Transactions with non-controlling interests <sup>(b)</sup> .....	—	—	—	(338)	—	—	(338)
Other comprehensive income .....	—	—	—	—	—	(15)	(15)
<b>At 31 December 2019</b> .....	<u>—</u>	<u>2,046,481</u>	<u>(1,756,337)</u>	<u>(64,145)</u>	<u>141,566</u>	<u>(14)</u>	<u>367,551</u>
<b>At 1 January 2020</b> .....	—	2,046,481	(1,756,337)	(64,145)	141,566	(14)	367,551
Other comprehensive income .....	—	—	—	—	—	(33)	(33)
<b>At 31 March 2020</b> .....	<u>—</u>	<u>2,046,481</u>	<u>(1,756,337)</u>	<u>(64,145)</u>	<u>141,566</u>	<u>(47)</u>	<u>367,518</u>
<b>At 1 January 2019 (Unaudited)</b> .....	290,232	—	—	(63,807)	128,793	1	355,219
Other comprehensive income .....	—	—	—	—	—	5	5
<b>At 31 March 2019</b> .....	<u>290,232</u>	<u>—</u>	<u>—</u>	<u>(63,807)</u>	<u>128,793</u>	<u>6</u>	<u>355,224</u>

**(a) Statutory reserves**

Pursuant to the relevant laws and regulations 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 (1) statutory reserve fund of the limited liability companies, (2) general reserve fund of foreign invested enterprise and (3) the development fund of schools.

- (i) In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory reserves fund before distributing the net profit. When the balance of the statutory reserves fund reaches 50% of the registered capital of the PRC Subsidiaries, any further appropriation is at the discretion of owners. The statutory reserves fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to owners in proportion to their existing shareholding, provided that the remaining balance of the statutory reserves fund after such issue is not less than 25% of registered capital.

Pursuant to the laws applicable to Sino-foreign joint venture, the operating subsidiary that is a Sino-foreign joint venture in China has to make appropriations from its after-tax profit (as determined under PRC GAAP) to reserve funds including (1) general reserve fund, (2) enterprise expansion fund and (3) staff bonus and welfare fund. Appropriations to the three reserve funds are at the respective companies' discretion.

- (ii) According to the relevant PRC laws and regulations, for a private school that does not require reasonable return, it is required to appropriate to development fund of not less than 25% of the annual increase of net profits of the relevant school as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment.

**(b) Transactions with non-controlling interests**

On 1 January 2017, the Group purchase the non-controlling interests of Chengdu Development and Foshan Development from Yida Group. The movement during the year 2017 represented the difference between the fair value of the consideration paid and the carrying amount of net assets attributable to the additional interest in subsidiaries acquired from non-controlling interests.

On 17 June 2019, the Group purchase the interests of Dalian Education from non-controlling interests. The movement during the year 2019 represented the difference between the fair value of the consideration paid and the carrying amount of net assets attributable to the additional interest in subsidiaries acquired from non-controlling interests.

**(c) Deemed contribution/(distribution) from owners**

Dalian University, Chengdu University and Foshan University have received the services of “Cloud services business” and education software development business from Neusoft Holding and Tianjin Ruidao respectively. These services are considered as a part of the Listing Business, accordingly the financial results were included in the consolidated financial statements of the Group, as if the current group structure had been in existence throughout and at the end of each of the Track Record Period with the exception of companies established within the Track Record Period which are included from their respective dates of establishment.

For the year ended 31 December 2017, deemed contribution from owners represents the waived liabilities by Neusoft Holding and Tianjin Ruidao which were the income taxes subject to the profit generated from the aforementioned services. For the year ended 31 December 2018, deemed distribution to the owners mainly represents the waived receivables from Neusoft Holding and Tianjin Ruidao which were the cash generated from the aforementioned services.

**(d) Deemed distribution — cash consideration**

Dalian Yunguan was acquired by Dalian Education from Neusoft Holdings on 29 August 2018 for a consideration of RMB55,000,000. The business of “Cloud services business” from Neusoft Holdings and education software development business from Tianjin Ruidao were acquired by Dalian Yunguan on 2 September 2018 for a total consideration of RMB29,000,000.

Pursuant to the Reorganization of the above mentioned business, assets and liabilities of those acquired companies were included in the consolidated financial statements of the Group for all years presented. The consideration of RMB84,000,000 was treated as distribution to owners upon the Reorganisation.

**27 Share option**

The Company adopted a Pre-IPO share incentive scheme approved by the Board of Directors on 19 June 2019. The Pre-IPO share incentive scheme was subsequently amended, the amendment of which was approved by the authorised director on 10 June 2020 (the “Pre-IPO Share Incentive Scheme”). Under the Pre-IPO Share Incentive Scheme, each grant of options to individual participants will take effect upon receipt by the Company of that participant’s option grant acceptance notice and remittance of RMB1.00 within ten business days from the date on which the grant notice is delivered. Under the Pre-IPO Share Incentive Scheme, options are exercisable once certain vesting conditions are met in accordance with the vesting schedule and grant documents (including the Pre-IPO Share Incentive Scheme). Pursuant to the Pre-IPO Share Incentive Scheme, the Company will grant Pre-IPO options to certain participants, including directors, employees or executives of our Group, to subscribe for an aggregate of 50,000,000 Shares, representing 10% of the total number of Shares in issue immediately before the initial public offering. Any grant of options under the Pre-IPO Share Incentive Scheme shall be subsequently made and approved by the Board of Directors (or any one director duly authorised by the Board of Directors), and effective from the listing date to ten years following the last vesting date for that grantee.

## 28 Leases

- (i) Amounts recognised in the consolidated statements of financial position

The consolidated statements of financial position shows the following amounts relating to leases:

	As at 31 December			As at
				31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Lease liabilities</b>				
Current .....	3,026	7,699	5,601	9,983
Non-current .....	4,621	44,456	39,647	44,551
	<u>7,647</u>	<u>52,155</u>	<u>45,248</u>	<u>54,534</u>

- (ii) Amounts recognised in the consolidated statements of comprehensive income

The consolidated statements of comprehensive income shows the following amounts relating to leases:

	Year ended 31 December			Three months ended	
				31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest expense (Note 12) .....	4,637	1,106	2,477	651	597
Expense relating to short-term leases (Note 10) .....	925	12,360	36,780	8,727	10,972
Expense relating to variable payment not based on an index or rate (Note 10) .....	6,458	12,915	—	—	—
Losses on termination of long-term leases (Note 9) .....	(160)	—	—	—	—

- (iii) The total cash outflow for leases for the year ended 31 December 2017, 2018, 2019 and three months ended 31 March 2020 are RMB34,570,000, RMB36,378,000, RMB49,094,000 and RMB1,979,000, respectively.

The group leases various properties. Rental contracts are typically made for fixed periods of 2 to 10 years with no extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The variable lease payments that do not depend on an index or a rate recognised as expense in the period on which the event or condition that triggers the payment occurs.

## 29 Trade and other payables

	As at 31 December			As at
	2017	2018	2019	31 March
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
<b>Trade payables</b>				
Amount due to related parties (Note 36 (d))	12,087	—	—	—
Amount due to third parties	810	1,033	972	842
<b>Trade payables</b>	<u>12,897</u>	<u>1,033</u>	<u>972</u>	<u>842</u>
<b>Other payables</b>				
Miscellaneous expenses received from students	42,934	51,192	52,008	50,561
Amount due to related parties (Note 36 (d))	21,092	3,381	3,016	366,232
Payables in relation to the Listing	—	2,121	8,419	9,202
Borrowings from related parties (Note 36 (a))	212,793	40	—	—
Salary and welfare payables	33,847	44,501	49,374	45,202
Deposits	14,574	16,422	19,433	22,349
Government subsidies payable to students	6,742	2,010	2,214	8,926
Payables for purchases of property, plant and equipment	31,493	18,431	58,777	44,442
Payables for administrative cost	12,125	11,327	14,880	26,869
Refund liability (Note 6)	—	—	—	27,465
Tax payables	6,850	4,427	8,449	5,558
Interest payables to bank	39	459	3,438	5,909
Others	7,614	8,483	5,551	5,667
Less: non-current portion				
- Deposits	(80)	—	—	—
- Amount due to related parties (Note 36 (d))	—	—	—	(675)
<b>Other payables — current portion</b>	<u>390,023</u>	<u>162,794</u>	<u>225,559</u>	<u>617,707</u>
<b>Total trade and other payables</b>	<u>402,920</u>	<u>163,827</u>	<u>226,531</u>	<u>618,549</u>

The Group's trade payables were denominated in RMB and the carrying amounts approximated their fair values.

- (a) The credit terms of trade payables granted to the Group are generally no more than 180 days. As at 31 December 2017, 2018, 2019 and 31 March 2020, the aging analysis of the trade payable based on invoice dates was as follows:

	As at 31 December			As at
				31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 6 months . . . . .	12,808	983	933	791
6 months to 1 year . . . . .	—	—	—	12
1 to 2 years . . . . .	50	11	—	—
2 to 3 years . . . . .	—	—	—	—
More than 3 years . . . . .	39	39	39	39
	<u>12,897</u>	<u>1,033</u>	<u>972</u>	<u>842</u>

### 30 Borrowings

	As at 31 December			As at
				31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Long-term borrowings</b>				
Bank borrowings				
— secured . . . . .	166,500	192,000	350,734	385,770
— unsecured . . . . .	90,000	185,980	253,940	318,940
Current portion of				
— long term borrowings — secured . . . . .	(38,500)	(40,000)	(52,000)	(52,000)
— long term borrowings — unsecured . . . . .	(30,000)	(32,040)	(27,040)	(29,040)
	<u>188,000</u>	<u>305,940</u>	<u>525,634</u>	<u>623,670</u>
<b>Short-term borrowings</b>				
Bank borrowings				
— secured . . . . .	170,000	—	200,000	200,000
— unsecured . . . . .	—	150,000	194,124	194,124
Current portion of				
— long term borrowings — secured . . . . .	38,500	40,000	52,000	52,000
— long term borrowings — unsecured . . . . .	30,000	32,040	27,040	29,040
	<u>238,500</u>	<u>222,040</u>	<u>473,164</u>	<u>475,164</u>
<b>Total borrowings . . . . .</b>	<u>426,500</u>	<u>527,980</u>	<u>998,798</u>	<u>1,098,834</u>



(a) Bank borrowings of the Group which are guaranteed by related parties are shown below:

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Neusoft Holdings (Note 36 (e))	<u>336,500</u>	<u>—</u>	<u>—</u>	<u>—</u>

(b) The weighted average effective interest rate (per annum) at the balance sheet dates are set out as follows:

	As at 31 December			As at 31 March
	2017	2018	2019	2020
Bank borrowings	<u>4.69%</u>	<u>4.96%</u>	<u>4.91%</u>	<u>4.90%</u>

(c) The Group has the following undrawn bank borrowing facilities:

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowing facilities	<u>—</u>	<u>—</u>	<u>492,500</u>	<u>492,500</u>

(d) The maturity date of the borrowing was analysed as follows:

	As at 31 December		As at 31 March	
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	238,500	222,040	473,164	475,164
Between 1 and 2 years	60,000	79,040	200,634	223,670
Between 2 and 5 years	128,000	206,900	241,000	313,000
More than 5 years	—	20,000	84,000	87,000
	<u>426,500</u>	<u>527,980</u>	<u>998,798</u>	<u>1,098,834</u>

(e) As at 31 December 2017, 2018, 2019 and 31 March 2020, the Group's borrowings were denominated in RMB.

- (f) On 21 May 2010, Foshan University entered into a loan agreement with a bank. As at 31 December 2017, 2018, 2019 and 31 March 2020, the loan balances are RMB97,000,000, RMB72,000,000, RMB42,000,000 and RMB42,000,000 respectively. The loan bears a floating interest rate of PBOC interest rate. The loan was secured by the pledge of Foshan University's buildings with a net book value of RMB78,491,000 and RMB73,099,000 (the cost is RMB119,834,000) (Note 17), and land use rights with a net book value of RMB22,767,000 and RMB22,106,000 (the cost is RMB27,894,000) (Note 16) as at 31 December 2017 and 2018 respectively. In addition, Foshan University has pledged the tuition and accommodation fees collection rights from 4 March 2015 to 16 January 2020 to the bank. Foshan University further pledged the collection rights of the tuition fee from 17 January 2020 to 3 March 2020 to the bank. As at 31 December 2017, RMB97,000,000 was guaranteed by Neusoft Holdings. The guarantee of Neusoft Holdings has been released at 9 December 2018. The pledge of buildings and land use rights has been released at 21 May 2019.
- (g) On 12 October 2017, Foshan University entered into a loan agreement with a bank. On 5 January 2018, an additional RMB60,000,000 was borrowed under the contract. On 17 January 2020, Foshan University entered into another a loan agreement with the bank. As at 31 December 2017, 2018, 2019 and 31 March 2020, the loan balances are RMB60,000,000, RMB120,000,000, RMB110,000,000 and RMB145,000,000 respectively. The loan bears a floating interest rate of PBOC interest rate. Foshan University has pledged the collection rights of the tuition, accommodation and other service fees from 27 September 2017 to 16 January 2020 to the bank. Further, this loan is pledged by the collection rights of the tuition fee from 17 January 2020 to 31 December 2025.
- (h) On 28 March 2019, Dalian University entered into a loan agreement with a bank. As at 31 December 2019 and 31 March 2020, the loan balance is RMB198,734,000 and RMB198,770,000 respectively. The loan bears a floating interest rate of PBOC interest rate. Dalian University has pledged the collection rights of the boarding fees from 26 April 2019 to 26 April 2034 to the bank.
- (i) As at 31 December 2017, 2018, 2019 and 31 March 2020, in addition to the above loans, the other loan balances were RMB269,500,000, RMB335,980,000, RMB648,064,000 and RMB713,064,000 respectively. The loan with amount of RMB239,500,000 was guaranteed by Neusoft Holdings as at 31 December 2017.

## 31 Deferred income

	As at 31 December			As at
	2017	2018	2019	31 March
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Non-current:				
Deferred government grants <sup>(a)</sup> .....	<u>30,569</u>	<u>25,928</u>	<u>26,865</u>	<u>29,022</u>
Current:				
Deferred government grants <sup>(a)</sup> .....	<u>31,542</u>	<u>34,083</u>	<u>34,045</u>	<u>37,299</u>
Rental .....	<u>3,035</u>	<u>3,768</u>	<u>6,337</u>	<u>5,448</u>
	<u>34,577</u>	<u>37,851</u>	<u>40,382</u>	<u>42,747</u>
	<u>65,146</u>	<u>63,779</u>	<u>67,247</u>	<u>71,769</u>

- (a) Deferred income includes grants related to income and grants related to assets. The grants related to income are the subsidies received from the government for the purpose of compensation for expenses arising from research activities and software developments. The grants related to assets are received for subsidies in connection with the purchasing of teaching equipment. These grants related to assets are released to profit or loss over the expected useful lives of the relevant assets.

## 32 Notes to consolidated statement of cash flows

(a) Cash generated from/(used in) operations:

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax . . . . .	161,583	171,005	198,968	2,657	8,562
Adjustments for:					
— Amortisation of land use right (Note 16) . . . . .	6,897	7,536	8,518	2,077	2,798
— Depreciation of property, plant and equipment (Note 17) . . . . .	85,666	88,064	88,795	23,364	25,246
— Amortisation of intangible assets (Note 18) . . . . .	2,142	2,431	2,455	657	1,304
— Depreciation of leased properties (Note 16) . . . . .	28,331	8,873	8,586	2,147	2,285
— Losses on termination of leasing contract (Note 9) . . . . .	160	—	—	—	—
— Net losses/(gain) on disposal of property, plant and equipment (Note 9) . . . . .	1,155	2,548	820	—	(1)
— Gains in profit or loss on financial instrument (Note 9) . . . . .	(2,743)	(6,121)	(1,079)	(708)	(1,022)
— Interest income (Note 7, Note 12) . . . . .	(1,611)	(2,043)	(3,458)	(613)	(891)
— Finance expenses (Note 12) . . . . .	<u>36,175</u>	<u>37,880</u>	<u>39,667</u>	<u>9,056</u>	<u>9,370</u>
Operating cash flows before movements in working capital . . . . .	317,755	310,173	343,272	38,637	47,651
Changes in working capital:					
— Trade and notes receivable (Note 21) . . . . .	(20,235)	9,511	8,444	12,227	(10,960)
— Prepayments, deposits and other receivables . . . . .	(1,850)	32,503	(10,591)	5,773	(2,211)
— Increase in inventories . . . . .	(20)	(1,621)	(282)	(718)	(1,399)
— Working capital changes arising from reorganization . . . . .	1,524	(26,165)	—	—	—
— Deferred income (Note 31) . . . . .	(6,212)	(1,367)	3,468	(2,014)	4,522
— Contract liabilities (Note 6) . . . . .	33,498	38,178	39,492	(121,574)	(140,102)
— Trade and other payables . . . . .	<u>21,320</u>	<u>(12,366)</u>	<u>19,404</u>	<u>(8,061)</u>	<u>28,588</u>
<b>Cash generated from/(used in) operations . . . . .</b>	<u>345,780</u>	<u>348,846</u>	<u>403,207</u>	<u>(75,730)</u>	<u>(73,911)</u>
Income taxes paid . . . . .	(2,056)	(5,643)	(22,235)	(4,934)	(7,481)
<b>Net cash generated from/(used in) operations . . . . .</b>	<u>343,724</u>	<u>343,203</u>	<u>380,972</u>	<u>(80,664)</u>	<u>(81,392)</u>

(b) In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net book amount (Note 17) . . . . .	1,608	2,644	1,166	—	—
(Loss)/gain on disposal of property, plant and equipment (Note 9) . . . . .	<u>(1,155)</u>	<u>(2,594)</u>	<u>(820)</u>	<u>—</u>	<u>1</u>
Proceeds from disposal of property, plant and equipment . . . . .	<u>453</u>	<u>50</u>	<u>346</u>	<u>—</u>	<u>1</u>

(c) The reconciliation of assets and liabilities arising from financing activities is as follows:

	Borrowing from financial institution	Borrowing from related parties	Dividends	Lease liabilities	Total
As at 1 January 2017 . . . . .	492,705	77,057	467	140,767	710,996
Cash flows					
— Proceeds from borrowings . . . . .	280,000	—	—	—	280,000
— Repayments of borrowings . . . . .	(346,160)	—	—	—	(346,160)
— Borrowings from related parties . . . . .	—	348,295	—	—	348,295
— Repayments of borrowings to related parties . . . . .	—	(212,745)	—	—	(212,745)
— Lease principal elements paid . . . . .	—	—	—	(9,476)	(9,476)
— Dividends paid to owners . . . . .	—	—	(27,856)	—	(27,856)
— Interest paid . . . . .	(18,144)	(13,189)	—	(4,797)	(36,130)
Non-cash movements					
— Addition of lease liabilities . . . . .	—	—	—	9,060	9,060
— Remeasurement upon modification . . . . .	—	—	—	(132,544)	(132,544)
— Interest accrued . . . . .	18,138	13,375	—	4,637	36,150
— Dividends declared . . . . .	—	—	27,856	—	27,856
As at 31 December 2017 . . . . .	<u>426,539</u>	<u>212,793</u>	<u>467</u>	<u>7,647</u>	<u>647,446</u>

	Borrowing from financial institution	Borrowing from related parties	Dividends	Lease liabilities	Total
As at 1 January 2018	426,539	212,793	467	7,647	647,446
Cash flows					
— Proceeds from borrowings	349,000	—	—	—	349,000
— Repayments of borrowings	(247,520)	—	—	—	(247,520)
— Repayments of borrowings to related parties	—	(216,503)	—	—	(216,503)
— Lease principal elements paid	—	—	—	(4,861)	(4,861)
— Interest paid	(24,687)	(12,188)	—	(1,106)	(37,981)
— Dividends paid to owners	—	—	(58,942)	—	(58,942)
Non-cash movements					
— Addition of lease liabilities	—	—	—	49,369	49,369
— Interest accrued	25,107	11,672	—	1,106	37,885
— Offset from disposal of subsidiary	—	4,266	—	—	4,266
— Dividends declared	—	—	58,942	—	58,942
As at 31 December 2018	<u>528,439</u>	<u>40</u>	<u>467</u>	<u>52,155</u>	<u>581,101</u>

	Borrowing from financial institution	Borrowing from related parties	Dividends	Lease liabilities	Total
As at 1 January 2019	528,439	40	467	52,155	581,101
Cash flows					
— Proceeds from borrowings	763,124	—	—	—	763,124
— Repayments of borrowings	(291,040)	—	—	—	(291,040)
— Borrowings from related parties	—	200,000	—	—	200,000
— Repayments of borrowings to related parties	—	(200,000)	—	—	(200,000)
— Lease principal elements paid	—	—	—	(7,408)	(7,408)
— Interest paid	(27,107)	(7,148)	—	(2,477)	(36,732)
— Dividends paid	—	—	(3,536)	—	(3,536)
Non-cash movements					
— Addition of lease liabilities	—	—	—	501	501
— Interest accrued	30,086	7,108	—	2,477	39,671
— Dividends declared	—	—	3,536	—	3,536
As at 31 December 2019	<u>1,003,502</u>	<u>—</u>	<u>467</u>	<u>45,248</u>	<u>1,049,217</u>

	Borrowing from financial institution	Borrowing from related parties	Dividends	Lease liabilities	Total
As at 1 January 2020 .....	1,002,236	—	467	45,248	1,047,951
Cash flows					
— Proceeds from borrowings .....	240,000	—	—	—	240,000
— Repayments of borrowings .....	(140,000)	—	—	—	(140,000)
— Lease principal elements paid .....	—	—	—	(2,796)	(2,796)
— Interest paid .....	(6,336)	—	—	(597)	(6,933)
Non-cash movements					
— Addition of lease liabilities .....	—	—	—	12,082	12,082
— Interest accrued .....	8,807	—	—	597	9,404
As at 31 March 2020 .....	<u>1,104,707</u>	<u>—</u>	<u>467</u>	<u>54,534</u>	<u>1,159,708</u>

	Borrowing from financial institution	Borrowing from related parties	Dividends	Lease liabilities	Total
As at 1 January 2019 (unaudited) .....	528,439	40	467	52,155	581,101
Cash flows					
— Proceeds from borrowings .....	200,000	—	—	—	200,000
— Repayments of borrowings .....	(118,000)	—	—	—	(118,000)
— Borrowings from related parties .....	—	200,000	—	—	200,000
— Lease principal elements paid .....	—	—	—	(1,473)	(1,473)
— Interest paid .....	(6,408)	(40)	—	(651)	(7,099)
Non-cash movements					
— Addition of lease liabilities .....	—	—	—	428	428
— Interest accrued .....	6,267	2,133	—	651	9,051
As at 31 March 2019 .....	<u>610,298</u>	<u>202,133</u>	<u>467</u>	<u>51,110</u>	<u>864,008</u>

### 33 Contingencies

As at 31 December 2017, 2018, 2019 and 31 March 2020 there were no significant contingencies items for the Group and the Company.

**34 Business combinations**

On 1 March 2020, the Group acquired 90.91% of the issued shares of Tianjin Ruidao for a cash consideration of RMB 362,779,000 from Neusoft Holdings. The goodwill of RMB134,937,000 arising from the acquisition is attributable to acquired human resources and potential customer relationship from combining the operations of the Group and Tianjin Ruidao. None of the goodwill recognized is expected to be deductible for income tax purposes.

**(a) Acquisition of a subsidiary**

The assets and liabilities recognised as a result of the acquisition are as follows:

	<u>Fair value</u>
	<u>RMB'000</u>
Cash and cash equivalents . . . . .	42,043
Financial assets at fair value through profit or loss (Note 3.3) . . . . .	90,540
Trade and notes receivables . . . . .	6,825
Prepayments and other receivables . . . . .	15,552
Inventory . . . . .	251
Right of use assets (Note 16) . . . . .	10,441
Property, plant and equipment (Note 17) . . . . .	21,119
Investment in associate . . . . .	711
Intangible asset — brand (Note 18) . . . . .	89,499
Intangible asset — customer relationship (Note 18) . . . . .	66,907
Intangible asset — software (Note 18) . . . . .	2,357
Trade and other payables . . . . .	(16,141)
Current income tax liabilities . . . . .	(9)
Contract liabilities . . . . .	(19,477)
Lease liability . . . . .	(10,441)
Deferred income . . . . .	(1,297)
Deferred tax liabilities (Note 19) . . . . .	(40,042)
Net identifiable assets acquired . . . . .	258,838
Less: non-controlling interests . . . . .	(30,996)
Add: goodwill . . . . .	134,937
Net assets acquired . . . . .	<u>362,779</u>

The acquired business contributed revenue of RMB 8,575,000 and net loss of RMB 702,000 to the Group for the period from 1 March 2020 to 31 March 2020.

If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and loss of the Group for the period ended 31 March 2020 would have been RMB185,049,000 and RMB6,612,000 respectively.

Non-controlling interests are recognized at its proportionate shares of the acquired net identifiable assets.



## (b) Purchase consideration — cash inflow

	<u>As at 31 March 2020</u>
	<u>RMB'000</u>
Inflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration .....	—
Less: Balances acquired .....	
Cash .....	<u>42,043</u>
Net inflow of cash — investing activities .....	<u>(42,043)</u>

*Note:* The cash consideration was yet to be settled as at 31 March 2020.

**35 Commitments****(a) Capital commitments**

The following is the details of capital expenditure contracted but not provided for in the Historical Financial Information.

	<u>As at 31 December</u>			<u>As at 31 March</u>
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Commitment for acquisition of property, plant and equipment and land use right .....	<u>2,872</u>	<u>288,623</u>	<u>186,016</u>	<u>161,221</u>

**(b) Operating lease income**

The Group leases certain buildings to related parties and third parties under operating lease agreements. The Group had future aggregate minimum lease income in respect of buildings under operating leases are as follows:

	As at 31 December			As at 31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
No later than 1 year .....	27,047	28,334	19,067	11,934
Later than 1 year and no later than 5 years .....	30,900	14,097	17,872	17,385
Later than 5 years .....	162	—	—	3,272
	<u>58,109</u>	<u>42,431</u>	<u>36,939</u>	<u>32,591</u>

**36 Significant related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

The members of key management and their close family members of the Group are also considered as related parties. In the opinion of the Directors, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

Name and relationship with related parties:

<u>Name of the related parties</u>	<u>Nature of relationship</u>
Neusoft Holdings .....	Owner who has significant influence over the Company
Neusoft Holdings International Inc. (“Neusoft International”) .....	Owner who has significant influence over the Company
Dalian Siwei .....	A company controlled by Liu Jiren
Liaoning Neusoft Venture Capital Co., Ltd. ....	A company controlled by Neusoft Holdings
Tianjin Ruidao <sup>(a)</sup> .....	A company controlled by Neusoft Holdings
Beijing Neusoft Huiju Information Technology Co., Ltd. ....	A company controlled by Neusoft Holdings
Dalian Neusoft Ruichuang Technology Development Co., Ltd. <sup>(a)</sup> .....	A company controlled by Neusoft Holdings
Dalian SiRui Information Technology Co., Ltd. ....	A company controlled by Neusoft Holdings
Guangzhou Neusoft Software Talent Vocational Training School <sup>(a)</sup> .....	A company controlled by Neusoft Holdings
Nanjing Neusoft Talent Training Center <sup>(a)</sup> .....	A company controlled by Neusoft Holdings
Shenyang Neusoft Ruidao Education Service Co., Ltd. <sup>(a)</sup> .....	A company controlled by Neusoft Holdings
Guangzhou Neusoft Ruidao Educational Information Technologies Co., Ltd. <sup>(a)</sup> .....	A company controlled by Neusoft Holdings
Chongqing Neusoft Ruidao Information Technology Co., Ltd. <sup>(a)</sup> .....	A company controlled by Neusoft Holdings
Dalian Neusoft Software Talent Training Center <sup>(a)</sup> ....	A company controlled by Neusoft Holdings
Dalian Neusoft Ruidao Education Information Service Co., Ltd. <sup>(a)</sup> .....	A company controlled by Neusoft Holdings
Neusoft YueTong Software Technology (Dalian) Co., Ltd .....	A company controlled by Neusoft Holdings
Shanghai Sirui .....	A company controlled by Neusoft Holdings
Guangzhou SiRui Information Technology Co., Ltd. ...	A company controlled by Neusoft Holdings
Guangdong Ruidao Gongchuang Technology Co., Ltd. <sup>(a)</sup> .....	A company controlled by Neusoft Holdings
Dongkong International Third Investment Inc. ....	A company controlled by Neusoft Holdings
Yida Group .....	Owner who has significant influence over the Group
Ningbo Neusoft Xinqiao Entrepreneurship Education Technology Co., Ltd .....	Associate of the Group

(a) These related parties became subsidiaries of the Group after the acquisition of Tianjin Ruidao on 1 March 2020.

## (a) Transactions with related parties

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<b>Borrowings from related parties</b>					
<b>Owner who has significant influence over the</b>					
<b>Company (Note (i))</b>					
Balance at 1 January . . . . .	77,057	212,793	—	—	—
Borrowings from related parties . . . . .	278,295	—	200,000	200,000	—
Repayments of borrowings to related parties . . . . .	(142,745)	(212,500)	(200,000)	—	—
Interest payable to related parties . . . . .	11,937	11,632	7,108	2,311	—
Repayments of interest to related parties . . . . .	(11,751)	(11,925)	(7,108)	—	—
Balance at 31 December . . . . .	<u>212,793</u>	<u>—</u>	<u>—</u>	<u>202,311</u>	<u>—</u>
<b>A company controlled by Neusoft Holdings</b>					
<b>(Note (ii))</b>					
Balance at 1 January . . . . .	—	—	40	40	—
Borrowings from related parties . . . . .	70,000	4,003	—	—	—
Repayments of borrowings to related parties . . . . .	(70,000)	(4,003)	—	—	—
Interest payable to related parties . . . . .	1,438	303	—	—	—
Repayments of interest payables to related parties . . . . .	(1,438)	(263)	(40)	(40)	—
Balance at 31 December . . . . .	<u>—</u>	<u>40</u>	<u>—</u>	<u>—</u>	<u>—</u>

- (i) During the Track Record Period, The Group received loans from Neusoft Holdings with a floating or fixed interest rate raised by 15% on the base of PBOC interest rate. The loans are unsecured and repayable on demand.
- (ii) During the Track Record Period, the Group received loans from Tianjin Ruidao with a floating interest rate based on PBOC interest rate. The loans are unsecured and repayable on demand.

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
<b>Loan to related parties</b>					
<b>Owner who has significant influence over the Company (Note (iii))</b>					
Balance at 1 January	54,709	—	—	—	—
Loan to related parties	8,000	—	—	—	—
Repayments of loan from related parties	(62,055)	—	—	—	—
Interest income from related parties	474	—	—	—	—
Interest receivable from related parties	(1,128)	—	—	—	—
Balance at 31 December	—	—	—	—	—
<b>A company controlled by Neusoft Holdings (Note (iv))</b>					
Balance at 1 January	—	—	—	—	—
Loan to related parties	32,000	—	—	—	—
Repayments of loan from related parties	(32,000)	—	—	—	—
Interest income from related parties	20	—	—	—	—
Interest receivable from related parties	(20)	—	—	—	—
Balance at 31 December	—	—	—	—	—

(iii) During the year 2017, The Group have granted loans to Neusoft Holdings and charged interest with a floating interest rate based on PBOC interest rate.

(iv) On 29 November 2017, the Group granted loans to Neusoft Venture Capital and charged interest with a floating interest rate based on PBOC interest rate. As at 31 December 2017, the loan has been settled.

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
<b>Purchasing goods and receiving services</b>					
<b>Owner who has significant influence over the Company</b>					
Company	496	784	385	—	33
Companies controlled by Neusoft Holdings	30,278	4,473	3,127	11	—
	30,774	5,257	3,512	11	33

Purchasing goods and receiving services were made at prices mutually agreed between the Group and its related parties and conducted in the normal course of business.

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<b>Selling goods and providing services</b>					
Owner who has significant influence over the					
Company .....	514	273	359	29	—
Companies controlled by LIU Jiren .....	23,234	1,459	1,554	477	360
Companies controlled by Neusoft Holdings .....	20,545	102,945	120,295	62,144	15,512
	<u>44,293</u>	<u>104,677</u>	<u>122,208</u>	<u>62,650</u>	<u>15,872</u>

Selling goods and providing services were made at prices mutually agreed between the Group and its related parties and conducted in the normal course of business.

**(b) Dividends declared or paid**

	Year ended 31 December			Three months ended 31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Owner who has significant influence over the					
Company .....	25,324	56,766	—	—	—
Owner who has significant influence over the Group .....	—	—	—	—	—
	<u>25,324</u>	<u>56,766</u>	<u>—</u>	<u>—</u>	<u>—</u>

**(c) Disposal of a subsidiary**

On 26 July 2018, Chengdu University transferred all of its equity interests of Chengdu software to the related party Tianjin Ruidao at a consideration of RMB12,007,000 with no disposal gain or loss. The net cash acquired amounted to RMB3,455,000.

**(d) Balance with related parties**

	As at 31 December			As at
	2017	2018	2019	31 March
	RMB'000	RMB'000	RMB'000	2020
				RMB'000
<b>Trade receivables due from related parties</b>				
Owner who has significant influence over the Company	—	32	—	—
Companies controlled by Neusoft Holdings	19,064	8,990	442	917
	<u>19,064</u>	<u>9,022</u>	<u>442</u>	<u>917</u>
<b>Other receivables due from related parties</b>				
<b>Non-trade</b>				
Owner who has significant influence over the Company	20,605	—	—	1,207
	<u>20,605</u>	<u>—</u>	<u>—</u>	<u>1,207</u>
<b>Trade payables due to related parties</b>				
Companies controlled by Neusoft Holdings	12,087	—	—	—
	<u>12,087</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Other payables due to related parties</b>				
<b>Trade</b>				
Owner who has significant influence over the Company	20	21	51	21
A company controlled by Liu Jiren	13,298	238	238	238
Companies controlled by Neusoft Holdings	5,923	1,145	379	70
	<u>19,241</u>	<u>1,404</u>	<u>668</u>	<u>329</u>
<b>Non-trade</b>				
Owner who has significant influence over the Company	—	126	170	363,044
Owner who has significant influence over the Group	1,851	1,851	1,851	1,851
Companies controlled by Neusoft Holdings	—	—	327	333
Associate of the Group	—	—	—	675
	<u>1,851</u>	<u>1,977</u>	<u>2,348</u>	<u>365,903</u>

The non-trade balances are interest free and repayable on demand. The company expects to settle all such payables prior to the Listing.

	As at 31 December			As at
				31 March
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Amounts prepaid by related parties</b>				
A company controlled by Liu Jiren .....	226	—	226	226
A company controlled by Neusoft Holdings .....	—	270	64	64
	<u>226</u>	<u>270</u>	<u>290</u>	<u>290</u>
<b>Amounts prepaid to related parties</b>				
Owner who has significant influence over the Company .....	<u>69</u>	<u>48</u>	<u>55</u>	<u>—</u>

As at 31 December 2017, 2018, 2019 and 31 March 2020, all balances with the owners and related companies are non—interest bearing. All balances due from and due to the owners and related parties are unsecured and repayable on demand.

**(e) Borrowings guaranteed by related parties**

	Year ended 31 December			Three months ended	
				31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Owner who has significant influence over the					
Company .....	<u>336,500</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(Unaudited)

**(f) Key management compensation**

Key management includes executive directors and certain executives who have important role in making operational and financial decisions.

	Year ended 31 December			Three months ended	
				31 March	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses .....	5,085	6,330	8,366	954	1,102
Contributions to pension plans .....	279	313	195	49	40
Welfare and other expenses .....	<u>280</u>	<u>307</u>	<u>229</u>	<u>53</u>	<u>51</u>
	<u>5,644</u>	<u>6,950</u>	<u>8,790</u>	<u>1,056</u>	<u>1,193</u>

(Unaudited)



## 37 Benefits and interests of Directors

## Directors' emoluments

The Company appointed nine directors on the board, who are LIU Jiren (Chairperson of the Board), WEN Tao (Executive Director), RONG Xinjie (Non-executive Director), YANG Li (Non-executive Director), ZHANG Yinghui (Non-executive Director), Klaus Michael ZIMMER (Non-executive Director), LIU Shulian (Independent non-executive director), QU Daokui (Independent non-executive director), and WANG Weiping (Independent non-executive director). Among the directors, LIU Jiren, RONG Xinjie, Klaus Michael ZIMMER, LIU Shulian, QU Daokui and WANG Weiping received no pay from the Company. The remuneration of other directors for the year ended 31 December 2017, 2018, 2019 and three months ended 31 March 2020 are set out below:

For the year ended 31 December 2017	Wages, salaries and bonuses	Contributions to pension plans	Welfare and other expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Name of directors				
WEN Tao .....	1,337	73	70	1,480
YANG Li .....	938	49	54	1,041
ZHANG Yinghui .....	938	26	35	999
	<u>3,213</u>	<u>148</u>	<u>159</u>	<u>3,520</u>
For the year ended 31 December 2018	Wages, salaries and bonuses	Contributions to pension plans	Welfare and other expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Name of directors				
WEN Tao .....	1,560	79	73	1,712
YANG Li .....	1,000	25	36	1,061
ZHANG Yinghui .....	1,150	52	56	1,258
	<u>3,710</u>	<u>156</u>	<u>165</u>	<u>4,031</u>

For the year ended 31 December 2019	Wages, salaries and bonuses	Contributions to pension plans	Welfare and other expenses	Total
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
	Name of directors			
WEN Tao .....	3,450	72	70	3,592
YANY Li .....	1,524	55	58	1,637
ZHANG Yinghui .....	<u>1,215</u>	<u>25</u>	<u>51</u>	<u>1,291</u>
	<u>6,189</u>	<u>152</u>	<u>179</u>	<u>6,520</u>

  

For the three months ended 31 March 2020	Wages, salaries and bonuses	Contributions to pension plans	Welfare and other expenses	Total
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
	Name of directors			
WEN Tao .....	300	14	16	330
YANY Li .....	181	11	7	199
ZHANG Yinghui .....	<u>180</u>	<u>6</u>	<u>12</u>	<u>198</u>
	<u>661</u>	<u>31</u>	<u>35</u>	<u>727</u>

  

For the three months ended 31 March 2019 (Unaudited)	Wages, salaries and bonuses	Contributions to pension plans	Welfare and other expenses	Total
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
	Name of directors			
WEN Tao .....	300	20	17	337
YANY Li .....	178	14	14	206
ZHANG Yinghui .....	<u>180</u>	<u>6</u>	<u>13</u>	<u>199</u>
	<u>658</u>	<u>40</u>	<u>44</u>	<u>742</u>

### 38 Subsequent events

#### The outbreak of Coronavirus Disease 2019

After COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The Group will continuously pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of consolidated financial statements were authorised for issue, the

Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak except for the impact on the revenue and contract liabilities from Refunded boarding fee as disclosed in Note 6. If the spread of COVID-19 cannot be fully controlled or continues for longer, however, operating results of the Group may be materially and adversely affected.

#### Granted share options

The Company adopted the Pre-IPO Share Incentive Scheme approved by the Board of Directors on 19 June 2019. The Pre-IPO Share Incentive Scheme was subsequently amended, the amendment of which was approved by the authorised director on 10 June 2020. Under the Pre-IPO Share Incentive Scheme, options are exercisable subject to the grantee's continuous service and completion of the Company's IPO and other terms. Pursuant to the Pre-IPO Share Incentive Scheme, the Company had granted pre-IPO options to 246 grantees on 31 August 2020, including Directors, senior managers, connected persons who are not Directors or senior managers, employees and supervisors of the Group, to subscribe for an aggregate of 50,000,000 shares. The subscription price of each share option granted under the Pre-IPO Share Incentive Scheme is 50% of the Offer Price.

**III. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2020 and up to the date of this report.

No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2020.