

NIIT CHINA (SHANGHAI) LIMITED AND ITS SUBSIDIARIES

(Registered in the People's Republic of China)

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**



Independent Auditor's Report

To the shareholders of NIIT China (Shanghai) Limited,

Opinion

We have audited the consolidated financial statements of NIIT China (Shanghai) Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at March 31, 2021, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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



Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.



However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

Other Matters

This report, including the opinion, has been prepared for and only for you, as a body in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Shanghai JiaLiang CPAs Co., Limited

May 2, 2021

NIIT CHINA (SHANGHAI) LIMITED

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31, 2021

(All amount in CNY unless otherwise stated)

		As at March 31	
	Note	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,252,488	968,319
Right-of-use assets	7	1,187,895	2,801,101
Intangible assets	8	972,542	1,304,760
Other non-current assets	9	576,474	898,762
Deferred income tax assets, net	10	1,031,288	1,687,789
Subtotal non-current assets		5,020,687	7,660,731
Current assets			
Inventories	11	31,679	22,491
Trade and other receivables	12	7,120,498	14,279,422
Cash and cash equivalents	13	33,464,994	19,060,403
Subtotal current assets		40,617,171	33,362,316
TOTAL ASSETS		45,637,858	41,023,047
EQUITY			
Capital and reserves attributable to the investor of the Group			
Paid-up capital	14	4,096,451	4,096,451
General reserve		2,348,098	2,348,098
Retained earnings		12,284,871	8,265,211
		18,729,420	14,709,760
Minority interest in equity		814,305	225,697
TOTAL EQUITY		19,543,725	14,935,457
LIABILITIES			
Non-current liabilities			
Lease liabilities, non-current portion	7	85,855	998,826
Subtotal non-current liabilities		85,855	998,826
Current liabilities			
Trade and other payables	15	11,754,871	12,128,779
Lease liabilities, current portion	7	954,582	1,925,023
Current income tax liabilities		179,640	435,736
Other current liabilities	16	13,119,185	10,599,226
Subtotal current liabilities		26,008,278	25,088,764
TOTAL LIABILITIES		26,094,133	26,087,590
TOTAL EQUITY AND LIABILITIES		45,637,858	41,023,047

Director

Director

The accompanying notes are an integral part of these financial statements.

NIIT CHINA (SHANGHAI) LIMITED

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED MARCH 31, 2021**
(All amount in CNY unless otherwise stated)

	Note	Year ended 31 March	
		2021	2020
Revenue from operations	17	49,608,864	53,827,404
Other income	18	661,459	289,543
Total Revenue		<u>50,270,323</u>	<u>54,116,947</u>
Cost and expenditures	19, 20&21	(44,827,696)	(49,683,266)
Profit before income tax		<u>5,442,627</u>	<u>4,433,681</u>
Income tax (expenses)/credits	22	(814,812)	583,026
Profit after income tax		<u>4,627,815</u>	<u>5,016,707</u>
Attributable to:			
Equity holders of the Company		4,019,660	5,695,228
Minority interest		608,155	(678,521)
Profit after income tax		<u>4,627,815</u>	<u>5,016,707</u>

Director

Director

The accompanying notes are an integral part of these financial statements.

NIIT CHINA (SHANGHAI) LIMITED**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2021**

(All amount in CNY unless otherwise stated)

	Paid in capital	General reserve	Retained earnings	Minority interest	Total equity
Balance at March 31, 2019	4,096,451	2,348,098	2,569,983	904,218	9,918,750
Profit for the year of 2020	-	-	5,695,228	(678,521)	5,016,707
Balance at March 31, 2020	4,096,451	2,348,098	8,265,211	225,697	14,935,457
Profit for the year of 2021	-	-	4,019,660	608,155	4,627,815
Repatriation	-	-	-	(19,547)	(19,547)
Balance at March 31, 2021	4,096,451	2,348,098	12,284,871	814,305	19,543,725

The accompanying notes are an integral part of these financial statements.

NIIT CHINA (SHANGHAI) LIMITED**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED MARCH 31, 2021**

(All amount in CNY unless otherwise stated)

		Year ended March 31	
	Note	2021	2020
Cash flows from operating activities			
Cash generated from operations	23	17,737,796	3,324,976
Income tax paid		<u>(414,407)</u>	<u>(413,554)</u>
Net cash generated from operating activities		<u>17,323,389</u>	<u>2,911,422</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,046,611)	(455,529)
Gain on disposal of fixed assets		4,015	-
Sales of investment		<u>126,739</u>	<u>397,489</u>
Net cash used in investing activities		<u>(915,857)</u>	<u>(58,040)</u>
Cash flows from financing activities			
Dividend paid to minority shareholders		(19,547)	-
Repayment of leasing liabilities		<u>(1,983,394)</u>	<u>(1,244,217)</u>
Net cash used in financing activities		<u>(2,002,941)</u>	<u>(1,244,217)</u>
Net increase in cash and cash equivalents		14,404,591	1,609,165
Cash and cash equivalents at beginning of the year		<u>19,060,403</u>	<u>17,451,238</u>
Cash and cash equivalents at end of the year		33,464,994	19,060,403

The accompanying notes are an integral part of these financial statements.

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

1. General Information

NIIT China (Shanghai) Limited ("the Company") was incorporated in the People's Republic of China on August 23, 2000 as a wholly foreign owned enterprise. The Company principally engaged in the producing, selling software and multimedia, providing professional information technology training and services. In January 2013, the registered capital of the Company was increased to USD 2,000,000 from USD 210,000. In November 2012, the shareholder of the Company (i.e., NIIT GC Limited) injected 21% of the increment (i.e., USD 378,000) in form of cash into the Company's capital account. As of March 31, 2021, the paid-up capital of the Company was USD 588,000.

On March 14, 2008, NIIT Wuxi Service Outsourcing Training School ("Wuxi School") was jointly set up by the Company and Wuxi An Ai Ai Di Education and Training Company Limited. Wuxi School engaged in providing non-diploma education, such as computer information technology training and relevant outsourcing training services. The registered capital of Wuxi School is CNY 800,000. The Company owned 60% of equity interest of Wuxi School. Starting from April 1, 2017, the Company substantively lost control of Wuxi School, therefore, Wuxi School was de-consolidated from that point of time. As of March 31, 2021, Wuxi School has been deregistered. Approval of tax deregistration was obtained on 15 October 2019. Approval of Civil Affairs Bureau was obtained on 24 June 2020.

On May 13, 2008, Chongqing NIIT Education Consulting Limited ("Chongqing Consulting") was jointly set up by the Company and Chongqing Suobosi Business Consulting Company Limited. The registered capital of Chongqing Consulting is CNY 800,000. The Company owns 60% of equity interest of Chongqing Consulting. As of March 31, 2021, Chongqing Consulting has been deregistered. Approval of tax deregistration was obtained on 11 January 2019. Approval of State Administration for Market Regulation ("SAMR", former name is Administration Bureau of Industry and Commerce ("ABIC")) deregistration was obtained on 20 January 2021.

On August 22, 2008, NIIT Chongqing Training Center ("Chongqing School") was established and fully controlled by Chongqing Consulting. Chongqing School engaged in providing non-diploma education, such as computer information technology training and relevant outsourcing training services. The registered capital is CNY 500,000. As of March 31, 2021, Chongqing School has been deregistered. Approval of tax deregistration was obtained on 23 January 2019. Approval of Civil Affairs Bureau was obtained on 13 May 2020.

On June 5, 2012, Chongqing An Dao Education Consulting Limited ("Chongqing Consulting II") jointly set up by the Company and Chongqing Yan'ao Business Management Consulting Company Limited. The registered capital is CNY 500,000. The Company owns 65% of the equity interest.

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

On January 11, 2013, Chongqing BeiBuXinQu AnDao Software Out-Source Education School ("Chongqing School II") was set up and fully controlled by Chongqing Consulting II. The registered capital is CNY 500,000.

On December 19, 2012, Chengmai NIIT Information Technology Company Limited ("Hainan Consulting") was set up and fully controlled by the Company. The registered capital is CNY 500,000. Hainan Consulting was in process of deregistration. Approval of tax deregistration was obtained on September 2, 2019. SAMR deregistration was in process.

On August 6, 2013, Hainan NIIT software services and outsourcing training school ("Hainan School") was set up and fully controlled by Hainan Consulting. The registered capital is CNY 500,000. Hainan School was in process of deregistration. Approval of tax deregistration was obtained on August 15, 2019. Civil Affairs Bureau deregistration was in process.

On November 24, 2015, Guizhou NIIT Information Technology Consulting Limited ("Guizhou Consulting") was set up and fully controlled by NIIT China (Shanghai) Limited. The registered capital is CNY 3,000,000.

On December 2, 2016, NIIT (Guizhou) Education Technology Co., Ltd. ("Guizhou Consulting II") was set up and fully controlled by NIIT China (Shanghai) Limited. The registered capital is CNY 5,000,000.

On May 19, 2017, NIIT (Ningxia) Education Technology Company Limited ("Ningxia Consulting") was set up and fully controlled by NIIT China (Shanghai) Limited. The registered capital is CNY 1,000,000.

On January 16, 2019, Guiyang AIDI Vocational Training School ("Guiyang School") was set up and fully controlled by NIIT (Guizhou) Education Technology Co., Ltd. The registered capital is CNY 800,000.

On May 23, 2019, Tongren NIIT Education Technology Co., Ltd. ("Tongren Consulting") was set up and fully controlled by NIIT China (Shanghai) Limited. The registered capital is CNY 1,000,000.

The Company, Wuxi School, Chongqing Consulting, Chongqing School, Chongqing Consulting II, Chongqing School II, Hainan Consulting, Hainan School, Guizhou Consulting, Guizhou Consulting II, Ningxia Consulting, Guiyang School and Tongren Consulting are collectively referred to as the Group.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The financial statements have been prepared under the historical cost convention.

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

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to March 31, 2021.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

2.3 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 consolidated financial statements are presented in Chinese Yuan ("CNY"), which is the Group's functional and presentation currency.

(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 recognized in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'.

All other foreign exchange gains and losses are presented in the income statement within "other (losses)/gains – net".

2.4 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized 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. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

Depreciation is calculated using the straight-line method to allocate the cost to the residual values over the estimated useful lives as follows:

	Useful lives
Machinery	3-10 years
Vehicles	5 years
Furniture	5 years

Machinery including:	Useful lives
- Computers, printers and related accessories	3 years
- Computers Server and Networks	5 years
- Electronic Equipment	8 years
- Air Conditioners	10 years
- Motor Vehicles	8 years
- Office Equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other (losses)/gains - net, in the income statement.

2.5 Intangible assets

Cost incurred on internal development of courseware and products are capitalized as intangible assets when the following criteria are met

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

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

Directly attributable costs that are capitalized as part of the courseware and products include the courseware development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Courseware and products development costs recognized as assets are amortized over their estimated useful lives.

2.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested periodically for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered on impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense.

2.8 Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and bank balances, trade and other receivables and trade and other payables.

2.9 Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against the expenditures in the income statement.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.11 Employee benefits

The Group participates in a mandatory government employee social security plans, including pension, medical, housing and other welfare benefits, arranged by the government authorities in accordance with relevant regulations. According to the relevant regulations, the premium and welfare benefit contributions are remitted to the social welfare authorities and are calculated based on percentages of the total salary of employees, subject to a certain ceiling and floor. Contributions to the plans are charged to the income statement.

Under the plans, retirement benefits of existing and retired employees are guaranteed by the local authorities and the Group has no further obligation beyond the monthly contributions.

2.12 Provisions

Provisions are recognized when the Group has a present obligation or constructive obligation as a result of past transactions or events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

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

Provisions are measured at the present value of the expenditures expected to

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates, discounts and taxes.

When two or more revenue generating activities or deliverables are provided under a single arrangement, each deliverable that is considered to be a separate deliverable is accounted separately. Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the standalone selling prices. Where the standalone selling prices are not directly observable, these are estimated based on expected cost-plus margin or residual method to allocate the total transaction price. In cases of residual method, the standalone selling price is estimated by reference to the total transaction price less the sum of the observable standalone selling prices of other goods or services promised in the contract.

Revenue from providing services is recognised over a period of time in the accounting period in which services are rendered. In respect of fixed price contracts, revenue is recognised based on the technical evaluation of utilization of services as per the proportionate completion method when no significant uncertainty exists regarding the amount of consideration that will be determined from rendering the service. The customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment and invoice, a contract asset is recognised. If the payment/invoice exceed the services rendered, a contract liability is recognised. The foreseeable losses on completion of contract, if any, are provided for.

Revenue from the training services is recognised over the period of the course programs as the case may be. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided (percentage of completion method). Revenue from time and material contracts is recognised as the related services are performed.

Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change. Any resulting increase or decrease in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known to management.

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

On certain contracts, where the Group acts as agent, only commission and fees receivable for services rendered are recognised as revenue. Any third-party costs incurred on behalf of the principal that are rechargeable under the contractual arrangement are not included in revenue.

Revenue in respect of sale of courseware and other physical deliverables is recognised at a point in time when control of these are passed, the legal title is passed and the customer has accepted the courseware and other physical deliverables. In other cases, where courseware is not considered a separate component under a contract, revenue from the composite course is recognised over the period of the training or the contract period, depending upon the terms and conditions.

Revenue for providing Technical Information and Reference Material (TIRM) to the business partners is recognised over the period of the contract.

The Group classifies the right to consideration in exchange for deliverables as either a receivable or as unbilled revenue. A receivable is right to consideration that is unconditional upon passage of time. Revenue for ongoing services at the reporting date yet to be invoiced is recorded as unbilled revenue.

The remaining performance obligation disclosure provides the aggregate amount of the transaction price yet to be recognized as at the end of the reporting period. The Group classifies the remaining performance obligation as deferred revenue.

2.14 Leases

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

At the commencement date, as a lessee, the Group measures the right-of-use asset at cost, and subsequently depreciation shall be provided, and impairment shall be assessed.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate. After the commencement date, the Group measures the lease liability by (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

fixed lease payments.

As a lessee, the Group elects not to apply the above accounting treatments to: (a) short-term leases; and (b) leases for which the underlying asset is of low value. Instead, the Group recognises the lease payments associated with those leases as an expense on either a straight-line basis over the lease term.

2.15 Deferred income tax

Deferred income tax is recognized, using the comprehensive balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, 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 substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

3. Financial Risk Management

3.1 Foreign Risk Factors

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk.

Risk management is carried out by finance department under policies approved by the Board of Directors.

a) Foreign exchange risk

The Group operates domestically and is not significantly exposed to foreign exchange risk arising from any currency exposures. Accordingly, the Group has not used any forward contracts or currency borrowings to hedge its exposure to foreign currency risk.

b) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that technical services are rendered to customers with an

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

appropriate credit history. The Group has policies that limit the amount of credit exposure to any financial institution.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents together with adequate banking facilities.

d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

3.2 Fair Value estimation

The carrying amounts of the following financial assets and financial liabilities approximate their fair value due to their short maturities: cash and cash equivalents, trade and other receivables, trade and others payables.

4. Critical Accounting Estimates and Judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definitions, 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 discussed below.

(1) Impairment of receivables

The Group's management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision on each of the balance sheet date.

(2) Obsolescence of inventories

Inventories are valued at lower of cost or net realisable value. The provision for obsolescence of inventory is based on the aging analysis. Management reassesses the provision on each of the balance sheet date.

(3) Deferred income tax assets

The Group's management determines the deferred tax assets based on the enacted or substantially enacted tax rates and law and best knowledge of profit

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

projections of the Group for the coming years during which the deferred tax assets are expected to be utilized. Management will revise the assumption and profit projections by the balance sheet date.

(4) Impairment of investment

The Group's management assesses the recoverable amount of an investment if there are any indicators of impairment. An impairment loss is recognised whenever recoverable amount is below carrying amount. The impairment loss is recognised as an expense.

5. Taxation

(1) Value-added Tax ("VAT")

Revenue derived from services provided by the Company, Chongqing Consulting, Chongqing School, Chongqing Consulting II, Guizhou Consulting, Guizhou Consulting II, Ningxia Consulting and Tongren Consulting is subject to VAT at 6% of service income, revenue derived from services provided by Hainan Consulting and Hainan School is subject to VAT at 3% of service income. Revenue derived from services provided by Chongqing School II for the period from January 1, 2020 to March 31, 2021 is exempted for VAT due to COVID-19 situation. Revenue derived from services provided by Guiyang School for the period from March 1, 2020 to December 31, 2021 is subject to VAT at 1% of service income due to COVID-19 situation.

(2) Enterprise Income Tax ("EIT")

The standard EIT rate is 25%. The reduced tax rate (from 5% to 8.33%) can be applied if the taxpayer is qualified for a Small Low-profit Enterprise.

The Group provides for income tax on the basis of its statutory income for financial reporting purpose, adjusting for income and expense items which are not assessable or deductible for income tax purposes and after considering all available tax benefits.

(3) Other taxes

Other taxes are provided in accordance with the prevailing PRC tax regulations.

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

6. Property, plant and equipment

	Machinery	Vehicles	Furniture	Total
Cost				
At March 31, 2020	3,376,404	249,904	3,937,386	7,563,694
Addition	336,771	-	455,359	792,130
Disposal	(436,071)	-	(340,469)	(776,540)
At March 31, 2021	3,277,104	249,904	4,052,276	7,579,284
Accumulated Depreciation				
At March 31, 2020	(2,688,305)	(93,713)	(3,813,357)	(6,595,375)
Charge	(371,283)	(31,240)	(96,431)	(498,954)
Disposal	427,097	-	340,436	767,533
At March 31, 2021	(2,632,491)	(124,953)	(3,569,352)	(6,326,796)
Net Book Value				
At March 31, 2020	688,099	156,191	124,029	968,319
At March 31, 2021	644,613	124,951	482,924	1,252,488

7. Right-of-use assets / (Lease liabilities)

The following are the carrying amount of right-of-use assets recognised and movement during the year:

	Buildings
As at April 1, 2019	4,414,315
Depreciation	(1,613,214)
As at March 31, 2020	2,801,101
Depreciation	(1,613,206)
As at March 31, 2021	1,187,895

The following are the carrying amount of Lease liabilities and movement during the year:

	Total
As at April 1, 2019	3,997,043
Accretion of interest	171,023
Payments	(1,244,217)
As at March 31, 2020	2,923,849
Accretion of interest	99,982
Payments	(1,983,394)
As at March 31, 2021	1,040,437

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

The following is the break-up of current and non-current lease liabilities:

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Lease Liabilities (Non-current)	85,855	998,826
Lease Liabilities (Current)	954,582	1,925,023
Total lease liabilities	1,040,437	2,923,849

The following are the amounts recognised in Consolidated Income Statement:

	<u>2021</u>	<u>2020</u>
Depreciation expense on ROU assets	1,613,206	1,613,214
Interest expense on lease liabilities	99,982	171,023
Total	1,713,188	1,784,237

The table below provides details regarding the contractual maturities of lease liabilities:

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Less than one year	936,575	1,983,388
One to two years	129,551	936,575
More than two years	-	129,551
Total	1,066,126	3,049,514

8. Intangible assets

	Acquired	Internally generated	Total
Cost			
At March 31, 2020	35,710	3,365,678	3,401,388
Purchase	520,350	-	520,350
At March 31, 2021	556,060	3,365,678	3,921,738
Accumulated Amortization			
At March 31, 2020	(11,900)	(2,084,728)	(2,096,628)
Charge	(59,176)	(793,392)	(852,568)
At March 31, 2021	(71,076)	(2,878,120)	(2,949,196)
Net Book Value			
At March 31, 2020	23,810	1,280,950	1,304,760
At March 31, 2021	484,984	487,558	972,542

NIIT CHINA (SHANGHAI) LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021**

(All amount in CNY unless otherwise stated)

9. Other non-current assets

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Deposits	576,474	632,894
Prepayment for content development	-	265,868
Total	<u>576,474</u>	<u>898,762</u>

10. Deferred income tax

Deferred tax assets and deferred tax liabilities should be offset on the balance sheet only if the entity has the legal right to settle on a net basis and they are levied by the same taxing authority on the same entity or different entities that intend to realize the asset and settle the liability at the same time.

Deferred tax assets mainly arise from 1) provision for bad debts and outstanding expenses accrued by management which are not approved by local tax authority temporarily, and 2) deferred revenue which has been taxed by local tax authority. Above-mentioned provisions, outstanding expenses and deferred revenue are deductible temporary differences which result in amounts that are deductible in determining taxable profit or loss of future periods when carrying amount of the outstanding expenses and deferred revenue are settled or recovered. The movement in deferred tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

As of March 31, 2020	5,482,641
Debit to the income statement	<u>(4,328,130)</u>
As of March 31, 2021	<u>1,154,511</u>

Deferred tax liabilities mainly arise from the expenses which are deducted in tax return under the local tax rule but capitalized in financial statement. The movement in deferred tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

As of March 31, 2020	3,794,852
Credit to the income statement	<u>(3,671,629)</u>
As of March 31, 2021	<u>123,223</u>

11. Inventories

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Inventories	500,598	491,410
Less: Provision for obsolescence	<u>(468,919)</u>	<u>(468,919)</u>
Inventories, net	<u>31,679</u>	<u>22,491</u>

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

12. Trade and other receivables

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Trade receivables	8,135,566	7,885,329
Less: impairment provision	<u>(4,256,307)</u>	<u>(4,256,307)</u>
	3,879,259	3,629,022
Loan		
- Principal	4,100,000	4,100,000
- Interest	1,039,241	1,039,241
Less: impairment provision	<u>(5,139,241)</u>	<u>(5,139,241)</u>
	-	-
Prepayment	4,483,434	4,566,409
Less: impairment provision	<u>(4,016,173)</u>	<u>(4,016,171)</u>
	467,261	550,238
Prepaid expense	983,980	590,248
Unbilled revenue	918,302	7,462,715
Receivable of agency services' passing-through proceeds	474,882	1,224,798
Deposits	215,113	117,588
Prepaid VAT	119,351	592,780
Staff advance	62,350	112,033
Total	<u>7,120,498</u>	<u>14,279,422</u>

13. Cash and cash equivalents

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Cash on hand	15,958	65,081
Cash in banks (a)	33,449,036	18,995,322
Total	<u>33,464,994</u>	<u>19,060,403</u>

- (a) The deposits of CNY 100,000 in Chongqing School II's accounts were restricted according to the local regulation issued by Chongqing Education Committee. Such deposits were placed to guarantee the ongoing operation if the training center encounters the financial difficulties.

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

14. Paid-up capital

	USD	CNY equiv.
NIIT GC Limited	588,000	4,096,451

The paid-in capital is USD 588,000 which is fully contributed by NIIT GC Limited. All of the paid-in capital was verified by a local CPA firm.

15. Trade and other payables

	March 31, 2021	March 31, 2020
Accrued expenses	7,969,735	9,449,912
Trade payables	2,823,647	1,247,043
Payable of agency services' passing-through cost	520,060	742,253
Security deposit payable	240,500	274,187
Staff reimbursement payable	50,832	41,465
Salary and welfare payable	45,866	274,273
Other payables	104,231	99,646
Total	11,754,871	12,128,779

16. Other current liabilities

	March 31, 2021	March 31, 2020
Deferred revenue (a)	12,798,555	9,383,122
Advance from customers	278,091	1,152,246
Tax and surcharge payable	42,539	63,858
Total	13,119,185	10,599,226

(a) Deferred revenue represents the aggregate amount of the transaction price yet to be recognized as at the end of the reporting period and expected to be recognized in revenue in less than 12 months subsequent to the balance sheet date.

17. Revenue

	2021	2020
Course fee and course ware	44,497,353	46,391,879
Corporate training program	1,245,395	2,688,876
Others	3,866,116	4,746,649
Total	49,608,864	53,827,404

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

18. Other income

	2021	2020
Interest income of bank deposits	235,587	60,334
Recovery of impairment of subsidiary investment	126,739	-
Interest income of security deposits on lease	21,378	20,386
Net gain on disposal of PPE	4,015	-
Gain on foreign exchange	-	66,427
Others	273,740	142,396
Total	661,459	289,543

19. Cost and expenditures

	2021	2020
Employee benefit costs (Note 20)	25,171,053	24,703,658
Development, production and execution costs	8,288,261	7,056,427
Depreciation and amortization (Note 21)	2,964,726	2,964,786
Rental expenses	1,219,180	2,109,895
Sales tax and surcharge	157,819	195,554
Interest expenses on lease liabilities	99,982	171,023
Other expenses	6,926,675	12,481,923
Total	44,827,696	49,683,266

20. Employee benefit costs

	2021	2020
Salary and benefits	22,240,671	19,947,162
Contribution to Provident and Other Funds	2,198,566	3,568,814
Employees Stock Option Expenses	13,508	39,509
Welfare and Other expenses	718,308	1,148,173
Total	25,171,053	24,703,658

21. Depreciation and amortization

	2021	2020
Depreciation on Property, plant and equipment	498,952	606,442
Amortization on Intangible assets	852,568	745,130
Depreciation on Right-of-use assets	1,613,206	1,613,214
Total	2,964,726	2,964,786

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

22. Income tax expenses/(credits)

	2021	2020
Current income tax expenses	158,311	93,263
Deferred tax expenses/(credits)	656,501	(676,289)
Total	814,812	(583,026)

The income tax on the Group's profit before tax differs from the theoretical amount that would arise using the effective tax rate of the Group as follows.

	2021	2020
Profit before tax	5,442,627	4,433,681
Tax calculated at the applicable tax rates	1,360,657	1,313,307
Remeasurement of deferred tax due to change of applicable tax rate within the year	1,970,316	51,700
Adjustment in respect of prior year	(221,158)	(328,185)
Benefit from reduced current tax rate due to Small low profit enterprises	(1,210,522)	(260,625)
Benefit from tax loss carried forward	(1,165,651)	(1,173,457)
Permanent differences	(48,893)	(407,329)
Timing difference not recognized on account of prudence	130,063	221,563
Income tax credits	814,812	(583,026)

23. Cash generated from operations

	2021	2020
Profit before tax	5,442,627	4,433,681
Adjustment for		
- Depreciation and amortization	2,964,726	2,964,786
- Gain on disposal of PPE	4,992	-
- Recovery of impairment of investment	(126,739)	-
- Interest on lease liabilities, net of interest income on rental deposit	78,604	150,638
Change in working capital		
- (Increase)/Decrease in inventories	(9,187)	87
- Decrease in receivables	7,236,722	2,101,056
- Increase/(Decrease) in payables	2,146,051	(6,325,272)
Net cash generated from operations	17,737,796	3,324,976

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

24. 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 or common significant influence.

(a) Names of related companies and nature of relationship:

Entity Name	Nature of relationship
NIIT Limited	Ultimate parent company
Mindchampion Learning Systems Limited	Controlled by the same ultimate parent company
NIIT Institute of Finance Banking and Insurance Training Limited	Controlled by the same ultimate parent company
NIIT Institute of Process Excellence Limited (Under Voluntary Liquidation w.e.f. February 19, 2020)	Controlled by the same ultimate parent company
NIIT Yuva Jyoti Limited (Under Voluntary Liquidation w.e.f. February 19, 2020)	Controlled by the same ultimate parent company
NIIT USA Inc, USA	Controlled by the same ultimate parent company
NIIT Limited, UK	Controlled by the same ultimate parent company
NIIT Malaysia Sdn. Bhd, Malaysia	Controlled by the same ultimate parent company
NIIT GC Limited, Mauritius	Parent company
PT NIIT Indonesia (Under Liquidation)	Controlled by the same ultimate parent company
NIIT West Africa Limited	Controlled by the same ultimate parent company
NIIT Ireland Limited	Controlled by the same ultimate parent company
NIIT Learning Solutions (Canada) Limited	Controlled by the same ultimate parent company
Eagle International Institute Inc. USA	Controlled by the same ultimate parent company
Eagle Training, Spain S.L.U	Controlled by the same ultimate parent company
Stackroute Learning Inc. (Incorporated on December 29, 2020)	Controlled by the same ultimate parent company
NIIT Technologies Limited and its subsidiaries ("NTL")	Under which the ultimate parent company exercises significant influence, as of May 17, 2019. On April 6, 2019, NIIT Limited executed a Share Purchase Agreement ("SPA"), with Hulst B.V. ("Purchaser") and NIIT Technologies Limited ("NTL") for the sale of its entire shareholding to Purchaser. On May 17, 2019, NIIT Limited transferred its entire shareholding in NTL to Purchaser in accordance with the terms and conditions of the SPA in an Off-Market Trade and received full consideration. Henceforth, NTL ceased to be an associate of NIIT Limited. Therefore, the following related party transactions only capture the transaction amount till May 17, 2019.

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

(b) Significant related party transactions and balances

(1) Pricing Policy

The Group's pricing policies on receiving or providing services are determined by internal negotiation with reference to market situation.

(2) Significant transactions with related parties

	2021	2020
Rendering of services		
- NIIT USA Inc, USA	1,668,096	1,330,056
- NIIT Limited, UK	18,412	27,200
- NIIT Limited	10,276	-
- NIIT USA Inc., Singapore Branch	-	21,675
- NIIT Technologies Pte Limited, Singapore	-	237,393
Total	1,696,784	1,616,324
Royalty fee		
- NIIT Limited	2,670,407	2,783,779
Receiving of services		
- NIIT Limited	1,425,914	1,777,564

(3) Significant balances with related parties

	March 31, 2021	March 31, 2020
Trade and other receivables		
- NIIT USA Inc, USA	101,373	927,137
- NIIT Limited, UK	19,517	-
- NIIT Limited	9,248	-
- NIIT USA Inc., Singapore Branch	-	21,675
Total	130,138	948,812
Trade and other payables		
- NIIT Limited	1,261,590	810,008
- NIIT Limited, UK, Netherland Branch	30,403	-
- NIIT USA Inc, USA	6,937	-
- NIIT Limited, UK	-	648,179
Total	1,298,930	1,458,187

NIIT CHINA (SHANGHAI) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(All amount in CNY unless otherwise stated)

25. Commitments

Short-term lease commitments.

The future aggregate minimum lease payments due under non-cancellable short-term leases are as follows:

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
Next 1 year	480,260	749,524
Next 2 to 5 years	19,177	213,285
Total	<u>499,437</u>	<u>962,809</u>