中國華南職業教育集團有限公司

SOUTH CHINA VOCATIONAL EDUCATION GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 6913

2021

ANNUAL REPORT

Contents

COMPANY PROFILE

South China Vocational Education Group Company Limited (the "**Company**") together with its subsidiaries (collectively referred to as the "**Group**") is the largest private formal vocational education service provider in the Greater Bay Area and the fifth largest private formal vocational education service provider in China in terms of full-time student enrollment in the 2019/2020 school year, accounting for approximately 5.8% and 0.5% of the market share in the Greater Bay Area and China in terms of student enrollment in the year, respectively, according to the Frost & Sullivan Report.

As of the date of this report, the Group operated two schools in the Greater Bay Area, namely, Guangdong Lingnan Institute of Technology (廣東嶺南職業技術學院) ("**Lingnan Institute of Technology**") and Guangdong Lingnan Modern Technician College (廣東嶺南現代技師學院) ("**Lingnan Modern Technician College**"). The Group primarily provides vocational education to 25,797 full-time students enrolled in our schools in the 2021/2022 school year, of which 72.7% were enrolled in the TMT Industry- and Healthcare Industry-related majors.

The Groups primarily provides comprehensive and diverse formal vocational education programs to students. During the Reporting Period (as defined below), the Group operated Lingnan Institute of Technology and Lingnan Modern Technician College. The Group refers to the provision of these educational services as its "Key Operating Business".

- ***Lingnan Institute of Technology***: A private vocational education institution that has two campuses, one of which is located in Guangzhou, Guangdong Province (the "**Guangzhou Campus**"), and the other is located in Qingyuan, Guangdong Province (the "**Qingyuan Campus**"). It primarily offers junior college program. The junior college program is generally a three-year program. A majority of the graduates typically seek employment after graduation, with a small number of graduates continuing to pursue bachelor's degree education. As at 31 December 2021, Lingnan Institute of Technology had 12 secondary colleges and offered over 45 majors in a wide range of disciplines, including but not limited to, electronic engineering technology, e-commerce, computer network technology, cloud computing technology and application, health management and pharmaceutical production technology; and

- *Lingnan Modern Technician College*: A private vocational education institution that is located in Guangzhou and that provides vocational education and training in various industries for students. It primarily offers secondary vocational program and postsecondary vocational program. The secondary vocational program is generally a three-year program. A majority of the graduates of secondary vocational program usually seek employment after graduation, with a small number of graduates continuing to pursue a two-year expedited junior college program. The post-secondary vocational program is generally a three-year program. A majority of the graduates usually seek employment after graduation, with a small number of graduates continuing to pursue a two-year expedited junior college program. The jobs taken by the graduates of secondary vocational program and post-secondary vocational program focusing on the same major are generally of the same nature with similar responsibilities, except that the graduates of the post-secondary vocational program are usually more advanced in technical expertise and training. As at 31 December 2021, Lingnan Modern Technician College had seven departments and offered over 25 majors, including, advertising design, computer network application, computer program design, digital media application and cross-border e-commerce.

In addition to our Key Operating Business, the Group also generates revenue from certain ancillary education services, which primarily comprise of continuing education programs and other education services. The Group runs continuing education programs through Lingnan Institute of Technology that mainly include two junior college-undergraduate programs, namely two-year junior college undergraduate program (自考專升本項目) and 3+2 junior college-undergraduate program (自考專插本項目), and adult education program (成人教育項目). Other education services primarily consist of test preparation and training services the Group provides to the students of its schools for occupational skills appraisal and professional qualification and certificates. The Group refers to these educational services as its “Ancillary Education Services” throughout this report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. He Huishan *(Chairman)*
Ms. He Huifen *(Chief Executive Officer)*
Ms. He Huifang
Mr. Lao Hansheng

Independent Non-executive Directors

Mr. Luo Pan
Mr. Yeh Zhe-Wei
Mr. Ma Shuchao

JOINT COMPANY SECRETARIES

Mr. Wang Tao
Ms. Lau Jeanie

AUTHORISED REPRESENTATIVES

Mr. Lao Hansheng
Mr. Wang Tao

AUDIT COMMITTEE

Mr. Luo Pan *(Chairman)*
Mr. Yeh Zhe-Wei
Mr. Ma Shuchao

REMUNERATION COMMITTEE

Mr. Yeh Zhe-Wei *(Chairman)*
Mr. Luo Pan
Mr. Lao Hansheng

NOMINATION COMMITTEE

Mr. He Huishan *(Chairman)*
Mr. Luo Pan
Mr. Yeh Zhe-Wei

LEGAL ADVISORS AS TO HONG KONG LAW

Morgan, Lewis & Bockius
Suites 1902-09
19th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

COMPLIANCE ADVISOR

Somerley Capital Limited
20/F, China Building
29 Queen's Road Central
Hong Kong

CORPORATE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 492 Da Guan Zhong Road
Tianhe District
Guangzhou
Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

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

AUDITOR

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

STOCK CODE

06913

COMPANY WEBSITE

www.scvedugroup.com

FINANCIAL HIGHLIGHTS

A summary of the audited results and of the assets, liabilities and equity of the Group for the last four financial years is set out below:

	Year ended 31 December			
	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	411,751	444,387	449,350	**499,621**
Cost of sales	218,078	247,233	240,333	**298,007**
Gross profit	193,673	197,154	209,017	**201,614**
Profit before tax	149,445	160,654	175,490	**157,411**
Profit for the year	137,030	154,825	170,501	**153,938**

	As at 31 December			
	2018	2019	2020	**2021**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Non-current assets	1,361,209	1,513,733	1,562,515	**1,647,693**
Current assets	289,912	346,695	356,640	**631,280**
Current liabilities	457,065	473,231	537,934	**423,777**
Net current assets/(liabilities)	(167,153)	(126,536)	(181,294)	**207,503**
Total assets less current liabilities	1,194,056	1,387,197	1,381,221	**1,855,196**
Non-current liabilities	537,681	597,379	498,294	**399,671**
Net assets	656,375	789,818	882,927	**1,455,525**
Total equity	656,375	789,818	882,927	**1,455,525**

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of South China Vocational Education Group Company Limited, I am pleased to announce the annual report of the Group for the year ended 31 December 2021 (the "**Reporting Period**"). Looking back at the Reporting Period, the State rolled out a number of policies that are favorable to vocational education, providing strong support for the long-term development of the industry. Vocational education has been recognised as an important part of the national education system and human resource development. The attractiveness and quality of which are expected to be significantly improved, and the enrollment scale of vocational education at undergraduate level as a percentage of total is also likely to increase. The vocational education business carried out by the Group is in line with the encouragement and support of national policies, and there is vast room for development going forward.

BUSINESS REVIEW

During the Reporting Period, the Group's performance remained stable overall. Benefiting from factors including the increase in the number of students of Lingnan Modern Technician College and the continuous increase in the average tuition fee, revenue grew by approximately 11.2% year-on-year to RMB499.6 million. In the 2021/2022 school year, the Group had 25,797 full-time students, of which 7,900 were enrolled in Lingnan Modern Technician College, representing an increase of 23.9% over the previous school year. In terms of the average tuition fee, the average tuition fee of Lingnan Institute of Technology and Lingnan Modern Technician College increased by 7.1% and 3.4% to RMB16,677 and RMB11,918 respectively during the Reporting Period. The adjusted net profit was RMB179.3 million, which remained the same level as the RMB182.3 million in the fiscal year of 2020. The Board has resolved to recommend the payment of a final dividend of HK5.60 cents per share for the year ended 31 December 2021 to reward shareholders for their continued support.

In addition, our two schools have continued to maintain a high level and won recognition in terms of quality and strength. Of which, Lingnan Institute of Technology has ranked first among China's private comprehensive higher vocational colleges in the 2022 "Golden Apple" (金蘋果) China Higher Vocational College Competitiveness Ranking. During the Reporting Period, we officially launched the strategy of upgrading Lingnan Institute of Technology to an vocational undergraduate school. In order to realise this strategy, we need to control the number of students within a certain range in a targeted manner, add more teaching buildings and facilities, and bring in more excellent teachers, etc. For these reasons, the Group's overall gross profit margin and adjusted net profit margin declined to a certain extent during the Reporting Period. We believe that short-term adjustments are aimed at the long-term healthy and stable development of the Group. From the perspective of the long-term development of the Group and the long-term returns of shareholders, such short-term adjustments are necessary and worth looking forward to for us.

PROSPECTS

A thriving education makes a thriving country, while a powerful education makes a powerful country. On the back of social and economic development and industrial transformation and upgrading, vocational education has ushered in a spring of great development. We must thoroughly implement the spirit of President Xi Jinping's important speech in seizing the opportunity, leading the game, accelerating the modernization of education, building a strong country in education, and running education to the satisfaction of the people.

The Group will integrate into the new development pattern marked by the domestic cycle as the main body and the mutual reinforcing of both the domestic and international cycles, giving full play to our own advantages to serve the "dual cycle". With higher vocational education as the core, we will build an ecosystem combining industry and education, thus cultivating more high-quality technical professionals and consummate craftsmen for the Guangdong-Hong Kong-Macao Greater Bay Area.

In the next five years, the main strategies that the Group will implement include: speed up the upgrading of our Lingnan Institute of Technology to an vocational undergraduate school, expand secondary vocational education through asset-light model, vigorously develop non-academic vocational training, and explore on the joint establishment and running of industrial colleges (產業學院) with industry-leading or well-known enterprises. Through the implementation of these strategies, the Group's business will develop steadily.

APPRECIATION

On behalf of the Board, I would like to thank all our students and their parents for their trust and confidence in our school, and to all our teachers, management and staff for their professionalism and tireless efforts demonstrated at work. I would also like to thank every investor and business partner who has been working hard to support us. I believe that with the efforts of all the staff of the Group, our school will cultivate more high-quality technical professionals and consummate craftsmen, and we will be able to create greater value for our shareholders.

Mr. He Huishan
Chairman

Hong Kong, 30 March 2022

BUSINESS REVIEW

During the Reporting Period, the Group operated two schools in the Greater Bay Area, namely, Lingnan Institute of Technology and Lingnan Modern Technician College. The Group refers to the provision of these educational services as its "Key Operating Business".

Key Operating Business

The Group's Lingnan Institute of Technology was established in May 2002 to provide diploma education and vocational training and its Lingnan Modern Technician College was established in July 2005 to provide vocational education and training.

Lingnan Institute of Technology

Lingnan Institute of Technology is a private vocational education institution that has two campuses, Guangzhou Campus, and Qingyuan Campus. As at 31 December 2021, Lingnan Institute of Technology had 12 secondary colleges and offered over 45 majors in a wide range of disciplines, including but not limited to, electronic engineering technology, e-commerce, computer network technology, cloud computing technology and application, health management and pharmaceutical production technology.

Lingnan Modern Technician College

Lingnan Modern Technician College is a private vocational education institution located in Guangzhou and provides vocational education and training in various industries for students. As at 31 December 2021, Lingnan Modern Technician College had seven departments and offered over 25 majors, including, advertising design, computer network application, computer program design, digital media application and cross-border e-commerce.

Ancillary Education Services

The Group also generates revenue from certain ancillary education services, which primarily comprise of continuing education programs and other education services. Other education services primarily consist of test preparation and training services the Group provides to the students of its schools for occupational skills appraisal and professional qualification and certificates. These educational services are referred as the Group's "Ancillary Education Services".

Business Operating Data

The aggregate number of full-time students enrolled at the Group's schools amounted to 25,797 for the 2021/2022 school year. As at 31 December 2021, the average tuition fee of Lingnan Institute of Technology and Lingnan Modern Technician College amounted to RMB16,677 and RMB11,918, respectively, and the average boarding fee of these two schools amounted to RMB1,822 and RMB1,781, respectively.

OUTLOOK

Favorable Policy Environment for Vocational Education

At a national conference on vocational education held in April 2021, important instructions were delivered by Xi Jinping, general secretary of the Communist Party of China (CPC) Central Committee, Chinese President and chairman of the Central Military Commission, on the development of vocational education that vocational education has a promising future and great potential as China journeys toward socialist modernisation. It was emphasised that more efforts will be made to optimise the positioning of vocational education, to promote integration between industry and education and cooperation between schools and enterprises, to reform training and schooling modes as well as management and support mechanisms, to promote bachelor-level vocational education and bring about a number of quality vocational education institutions and programs, to promote the integration of vocational education and regular education, to improve the adaptability of vocational education and speed up the development of the modern vocational education system so as to cultivate more high-quality technical professionals.

In May 2021, the State Council promulgated the "Regulations for the Implementation of the Private Education Promotion Law of the People's Republic of China ("**2021 Implementation Rules**")", pursuant to which, various policies have been introduced to encourage the development vocational education, such as "public schools implementing vocational education can attract the capital, technology, management and other elements of enterprises to establish or participate in the establishment of for-profit private schools that implement vocational education" and "enterprises are encouraged to establish or participate in the establishment of private schools that implement vocational education in various forms, such as sole proprietorship, joint venture and cooperation".

In June 2021, the Vocational Education Law of the People's Republic of China (Revised Draft) (the "**Revised Draft**") was submitted to the 29th meeting of the Standing Committee of the 13th National People's Congress for consideration and public opinions were solicited thereon. The Revised Draft provides that vocational education and regular education are of the same importance. Besides, the country encourages the government and social organisations to participate in vocational education and the establishment of vocational education systems, and also gives support to the eligible enterprises or social organisations implementing vocational education according to regulations.

In October 2021, the General Office of the Central Committee of CPC and the General Office of the State Council issued the Opinions (the "**Opinions**") on Promoting the High-Quality Development of Modern Vocational Education ("關於推動現代職業教育高質量發展的意見"). The Opinions has put forward that vocational education, an important part of the national education system and human resource development, shoulders the important responsibility of training diversified talents, inheriting technical skills, and promoting employment and entrepreneurship. In the new journey of building a modernised socialist country in an all-round way, vocational education has a bright and promising future. The Opinions have also determined the development goals for vocational education by 2025: the types of vocational education are more distinctive, a modern vocational education system is basically completed, and the construction of a skill-based society is being fully promoted. The pattern of running schools will be further optimised, the conditions of running schools will be greatly improved, the enrollment scale of vocational education at undergraduate level will not be less than 10% of the enrollment scale of higher vocational education, and thus the attractiveness and training quality of vocational education will be significantly enhanced.

The vocational education business engaged in by the Group is in line with the direction of encouragement and support of national policies and has a great potential for future development.

Deepening the Development in the Guangdong-Hong Kong-Macau Greater Bay Area to Provide High-Caliber Talents for the Greater Bay Area Continuously

The Guangdong-Hong Kong-Macau Greater Bay Area has become one of the key economic growth drivers in China. According to relevant statistics, the Greater Bay Area occupied less than 1% of China's land area yet contributed 11.7% nominal GDP in 2019. With the economic transformation and the population aging, the Greater Bay Area will need more and more skilled talents in emerging industries and major health-related industries.

Based on the two existing schools, the Group will continue to expand its school network and vocational education market in the Guangdong-Hong Kong-Macao Greater Bay Area, including formal and non-formal vocational training market, to gradually increase its market share and consolidate its position as a leading vocational education service provider in the Greater Bay Area.

Business Development Strategy

The Group will improve its results performance through the following three aspects:

1) *Promoting endogenous growth of formal vocational education*

   The expansion and upgrade of Lingnan Institute of Technology will continue. Supported by the policy of encouraging the establishment of undergraduate level vocational education, it will firstly focus on the establishment of certain undergraduate programs and then gradually develop into an undergraduate level vocational and technical college as a whole. In July 2021, the Guangdong Industry-Education Integration Demonstration Park (Qingyuan) project of Lingnan Institute of Technology was incorporated into the key construction project plan of Guangdong Province by Guangdong Provincial Development and Reform Commission, being the only demonstrative industry-education integration park project included in the provincial key construction project in Guangdong Province. Further, Lingnan Modern Technician College will proactively identify new venues in the Greater Bay Area for its new branches or new independent colleges, expanding its network of secondary vocational schools.

2) *Expanding school networks by mergers and acquisitions*

   In addition to robust endogenous growth, the Group will also strive to expand its school networks by means of mergers and acquisitions. For the target of mergers and acquisitions, the Group will give priority to high-quality technical schools and institutions providing non-formal vocational training in the Guangdong-Hong Kong-Macao Greater Bay Area. Acquisition of existing schools will not only help the Group expand its scale, but is also conducive to the generation of synergies with its existing schools, thereby identifying more business opportunities and materialising more values.

3) *Expanding ancillary education business*

   The Group will proactively expand the ancillary education business, including the adult continuing education program, trainings on vocational qualification level examination, and training tasks for government institutions and industry associations. Lingnan Modern Technician College owned by the Group is among the list of the first batch of 2021 social training evaluation organisations for vocational qualification level accreditation in Guangdong Province announced by the Human Resources and Social Security Department of Guangdong Province in July 2021, and has been approved for the accreditation for eight vocational skills, thus laying a foundation for the Group's expansion of the vocational qualification level accreditation business.

FINANCIAL REVIEW

Revenue

Revenue represents the value of services rendered during the Reporting Period. The Group's revenue is consisted of tuition fees, boarding fees and other education service fees its schools collected from students.

The Group's revenue increased by approximately 11.2% from approximately RMB449.4 million for the year ended 31 December 2020 to approximately RMB499.6 million for the Reporting Period. The increase was primarily due to (i) an increase in tuition fees and boarding fees as a result of the increase in total full-time student enrollment of Lingnan Modern Technician College, the average tuition fees and boarding fees during the Reporting Period; (ii) an increase in continuing education programs during the Reporting Period; and (iii) an increase in boarding fees as the Group refunded boarding fees in 2019/2020 school year as required by the relevant education authority due to the COVID-19 outbreak during the year ended 31 December 2020.

Cost of Sales

Cost of sales consists primarily of (i) staff costs; (ii) depreciation of property, plant and equipment; (iii) depreciation of right-of-use assets; (iv) amortisation of other intangible assets; (v) cost of cooperative education; (vi) utilities; (vii) teaching expenditures; and (viii) office expenses.

The Group's cost of sales increased by approximately 24.0% from approximately RMB240.3 million for the year ended 31 December 2020 to approximately RMB298.0 million for the Reporting Period. The increase was primarily due to (i) an increase in staff costs as a result of an increase of the total number of teaching staff and their average salary levels and bonuses during the Reporting Period; (ii) an increase in depreciation of property, plant and equipment in line with the expansion of the Group's school operating scale during the Reporting Period; (iii) an increase in student study and practicing fees and teaching expenditure, as less cost were incurred during the year of 2020 with temporary shut down of school campuses in the spring semester of the 2019/2020 school year as a result of the COVID-19 outbreak; and (iv) an increase in the operation costs from the expansion of cooperative education scale under the adult education business segment.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately 3.5% from approximately RMB209.0 million for the year ended 31 December 2020 to approximately RMB201.6 million for the Reporting Period and the Group's gross profit margin decreased from approximately 46.5% to approximately 40.4% during the same periods. The decrease of gross profit margin was mainly due to (i) an increase in staff costs as a result of an increase of the total number of teaching staff and their average salary levels and bonuses during the Reporting Period; (ii) an increase in depreciation of property, plant and equipment in line with the expansion of the Group's school operating scale during the Reporting Period; and (iii) an increase in student study and practicing fees and teaching expenditure, as less cost were incurred during the year of 2020 with temporary shut down of school campuses in the spring semester of the 2019/2020 school year as a result of the COVID-19 outbreak.

Other Income and Gains

Other income and gains consist primarily of (i) bank interest income; (ii) rental income; (iii) training income; (iv) government grants; (v) brand licensing income; (vi) gain on disposal of items of property, plant and equipment; and (vii) gain on termination of leases.

The Group's other income and gains increased by approximately 30.6% from approximately RMB85.9 million for the year ended 31 December 2020 to approximately RMB112.2 million for the Reporting Period. The increase was primarily due to (i) an increase of RMB10.7 million in gains from termination of leases as the Group terminated certain lease and sub-leasing arrangements and would receive a compensation from the lessee in consideration of fair value of the investment property built up by the Group on the original leased land during the Reporting Period; (ii) an increase of RMB8.6 million in gains from disposal items of property, plant and equipment as the Group disposed certain properties during the Reporting Period; and (iii) an increase of training income in line with the Group's strategy to develop training business sector.

Selling and Distribution Expenses

Selling and distribution expenses refer to costs incurred for the purpose of marketing and student recruitment, including staff costs, advertising expenses, admission expenses, office expenses and others.

The Group's selling and distribution expenses increased by approximately 8.5% from approximately RMB17.6 million for the year ended 31 December 2020 to approximately RMB19.1 million for the Reporting Period. The increase was primarily due to (i) an increase in admission fee in line with the increase of newly enrolled student number of Lingnan Modern Technician College during the Reporting Period; and (ii) an increase in staff costs as a result of an increase in average salary levels and bonuses of the marketing staff during the Reporting Period.

Administrative Expenses

Administrative expenses primarily consist of (i) staff costs and welfare; (ii) depreciation and amortisation; (iii) office expenses; (iv) consulting expenses; and (v) listing expenses.

The Group's administrative expenses increased by approximately 39.2% from approximately RMB67.6 million for the year ended 31 December 2020 to approximately RMB94.1 million for the Reporting Period. The increase was primarily due to (i) an increase of RMB11.1 million in listing expenses; (ii) an increase in staff costs for administrative staff as a result of an increase in their average salary levels and bonuses during the Reporting Period; and (iii) an increase in consulting expenses related to the increase of consulting services.

Other Expenses

Other expenses consist primarily of (i) cost for rental income; (ii) cost for training income; and (iii) exchange loss.

The Group's other expenses increased by approximately 33.0% from approximately RMB19.1 million for the year ended 31 December 2020 to approximately RMB25.4 million for the Reporting Period. The increase was primarily due to (i) an increase of RMB4.2 million in training cost with expansion of the Group's training business during the Reporting Period; and (iii) an increase of exchange loss.

Finance Costs

Finance costs primarily consist of the interest expenses for its bank and other borrowings and lease liabilities.

The Group's finance costs increased by approximately 17.1% from approximately RMB15.2 million for the year ended 31 December 2020 to approximately RMB17.8 million for the Reporting Period. The increase was primarily due to the accelerated recognition of the remaining unamortised prepaid interest expenses due to the early repayment of certain other borrowings during the Reporting Period.

Profit for the Year

As a result of the above factors, profit for the year of the Group decreased by approximately 9.7% from approximately RMB170.5 million for the year ended 31 December 2020 to approximately RMB153.9 million for the Reporting Period.

Adjusted Net Profit

The Group defines its adjusted net profit as its profit for the year after adjusting for those items which are not indicative of the Group's operating performances (as presented in the table below). This is not a HKFRSs measure. The Group has presented this item because the Group considers it an important supplemental measure of the Group's operational performance used by the Group's management as well as analysts or investors. The following table shows profit and adjusted net profit of the Group for the years presented below:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit for the year	**153,938**	170,501
Add:		
Listing expenses	**25,388**	14,299
Less:		
Gain on disposal of subsidiaries	**–**	2,463
Adjusted net profit	**179,326**	182,337

Adjusted net profit for the Reporting Period decreased by approximately RMB3.0 million or approximately 1.7% as compared with the year ended 31 December 2020. Adjusted net profit margin decreased from 40.6% for the year ended 31 December 2020 to 35.9% for the Reporting Period.

FINANCIAL AND LIQUIDITY POSITION

Current Assets and Current Liabilities

As at 31 December 2021, the Group had net current assets of approximately RMB207.5 million, increased approximately RMB388.8 million from net current liabilities of approximately RMB181.3 million as at 31 December 2020. The Group had net current assets as at such date primarily because (i) funds raised from the Global Offering (as defined below); and (ii) the receipt of tuition fees and boarding fees from freshmen in the 2021/2022 school year.

The Group's current assets as at 31 December 2021 increased by RMB274.7 million to approximately RMB631.3 million from approximately RMB356.6 million as at 31 December 2020. The increase in current assets was primarily attributable to the increase of cash and cash equivalents from the net proceeds of the Global Offering (as defined below).

The Group's current liabilities decreased by RMB114.1 million from approximately RMB537.9 million as at 31 December 2020 to approximately RMB423.8 million as at 31 December 2021, mainly reflecting: (i) payment settlement of RMB77.4 million for the acquisition of non-controlling interests of a subsidiary during the Reporting Period; (ii) a decrease of approximately RMB24.6 million in other payables and accruals as at 31 December 2021 due to certain payment settlement; (iii) a decrease of approximately RMB16.0 million in contract liabilities as at 31 December 2021 due to the decrease in the number of students at the end of the semester which also lead to the reduction in the advance receipt of the tuition and boarding fees; and (iv) a decrease of approximately RMB13.8 million in current interest-bearing bank and other borrowings as at 31 December 2021.

Cash and cash equivalents

The Group's Cash and cash equivalents amounted to approximately RMB482.4 million as at 31 December 2021, representing an increase of approximately RMB194.0 million or approximately 67.3% as compared to that of approximately RMB288.4 million as at 31 December 2020. The increase was primarily due to (i) funds raised from the Global Offering (as defined below); and (ii) the receipt of tuition fees and boarding fees from freshmen in the 2021/2022 school year.

Indebtedness

Interest-bearing bank and other borrowings primarily consisted of short-term working capital loans to supplement its working capital and finance its expenditure and long-term project loans for the continuous development of its school buildings and facilities.

The Group's interest-bearing bank and other borrowings amounted to approximately RMB268.4 million as at 31 December 2021, denominated in RMB.

As at 31 December 2021, the Group's indebtedness amounted to approximately RMB268.4 million, representing an decrease of approximately RMB111.4 million or approximately 29.3% from approximately RMB379.8 million as at 31 December 2020. The decrease was primarily because the Group has sufficient cash for daily operation and made early repayment of certain other borrowings.

As at 31 December 2021, the Group's interest-bearing bank and other borrowings bore effective interest rates ranging from approximately 5.2% to 8.5% per annum.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and other borrowings. The Group regularly assesses its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

Property, Plant and Equipment

As at 31 December 2021, the Group's property, plant and equipment amounted to approximately RMB1,138.5 million, representing a year-on-year increase of approximately 11.7% from approximately RMB1,019.1 million recorded as at 31 December 2020. The increase was due to the increase of property and buildings and construction in progress of Qingyuan Campus and the increase of educational equipment, furniture and other equipment and leasehold improvements for daily operation.

Financial Assets at Fair Value Through Profit or Loss

During the Reporting Period, the Group invested in wealth management products issued by banks and a fund company in China. These wealth management products primarily include (i) principal-guaranteed financial products with floating returns and (ii) principal unprotected financial products with floating returns. The Group made investments in these wealth management products as part of its cash management strategy in order to obtain higher yields than it would typically receive from regular bank deposits. These wealth management products the Group invested in during the Reporting Period were denominated in RMB and can be redeemed by the Group on any business day upon maturity. The expected yield rate of these wealth management products ranged from approximately 1.3% to 3.7% per annum.

The Group's wealth management products increased by approximately RMB49.8 million from approximately RMB20.2 million as at 31 December 2020 to approximately RMB70.0 million as at 31 December 2021. The increase was primarily because the Group invested in a wealth management product issued by a fund company in China.

Capital Expenditures

For the year ended 31 December 2021, the Group's capital expenditures amounted to approximately RMB150.1 million, representing an increase of approximately RMB39.9 million or approximately 36.2% from approximately RMB110.2 million for the year ended 31 December 2020. Capital expenditures of the Group primarily related to the construction of the Qingyuan Campus, educational equipment and other intangible assets.

Contingent liabilities, Guarantees and Litigation

As at 31 December 2021, the Group did not have any unrecorded significant contingent liabilities, guarantees or any material litigation against any member of the Group (31 December 2020: nil).

Pledge of Assets

As at 31 December 2021, no assets of the Group were pledged to secure bank loans and other borrowings (2020: certain bank and other borrowings with carrying amounts of RMB357.3 million, were secured by the tuition fee charging right of Lingnan Institute of Technology).

Significant Investments Held

The Group did not hold any significant investment in equity interest in any company for the period from the Listing Date (as defined below) and up to 31 December 2021.

Foreign Exchange Exposure

The functional currency of the Company is RMB. The majority of the Group's revenue and expenditures are denominated in RMB. As at 31 December 2021, certain bank balances were denominated in HK$ and US$. During the year ended 31 December 2021, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The Directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt practical and effective measures to prevent exposure to exchange rate risk. As a result, the Group did not enter into any financial instrument for hedging purposes.

Gearing Ratio

The gearing ratio, which is calculated by using total interest-bearing bank and other borrowings divided by total equity, decreased to approximately 18.4% as at 31 December 2021 from approximately 43.0% as at 31 December 2020, mainly due to a decrease of the Group's interest-bearing bank and other borrowings and an increase of total equity after the Global Offering (as defined below).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus (as defined below), as at 31 December 2021, the Group did not have any plans for material investments or investments in capital assets.

BOARD OF DIRECTORS

Executive Directors

Mr. He Huishan (賀惠山), aged 57, is a Controlling Shareholder and co-founder of the Group. Mr. He was appointed as a Director on 15 August 2018 and re-designated as an executive Director on 18 November 2020. Mr. He was also appointed as the chairman of the Board of the Company on 18 November 2020. Mr. He is also a director of Lingnan Education Investment Limited ("**Lingnan Education BVI**"), South China Vocational Education Group (Hong Kong) Limited (中國華南職業教育集團(香港)有限公司) ("**SCV Education HK**"), Guangzhou Lingnan Education Group Co., Ltd.* (廣州嶺南教育集團有限公司) ("**Lingnan Education**" or, the "**School Sponsor**"), Lingnan Institute of Technology and Lingnan Modern Technician College. Mr. He is the brother of Ms. He Huifen and Ms. He Huifang, both executive Directors and Controlling Shareholders, and the spouse of Ms. Zhou Lanqing, a Controlling Shareholder. Mr. He is responsible for the overall operation and management of the Group.

Mr. He has more than 28 years of experience in education. The following table shows his major working experience:

Period	School/Company	Position	Roles and responsibilities
September 1993 to present	Lingnan Education	Chairman of the board of directors and director	Making major decisions
July 2001 to November 2018	Guangzhou Tianhe Lingnan International Kindergarten (廣州市天河區嶺南中英文幼兒園) ("**Lingnan International Kindergarten**")	Chairman of the board of directors	Making major decisions
December 2001 to November 2018	Guangzhou Tianhe Lingnan International School (廣州市天河區嶺南中英文學校) ("**Lingnan International School**")	Chairman of the board of directors	Making major decisions
May 2002 to present	Lingnan Institute of Technology	Chairman of the board of directors (until January 2022) and director	Making major decisions

Period	School/Company	Position	Roles and responsibilities
July 2005 to present	Lingnan Modern Technician College	Director	Making major decisions
January 2015 to present	Guangzhou Lingnan Health Valley Investment Co., Ltd.* (廣州嶺南養生谷投資有限公司) (**"Health Valley"**)	Chairman of the board of directors	Making major decisions

Mr. He completed a diploma in library science studies at South China Normal University (華南師範大學) in Guangzhou, Guangdong Province, the PRC in July 1988. He graduated from National University of Singapore (新加坡國立大學) in Singapore, with a Master of Business Administration in June 2017.

Mr. He served as the executive member of the 1st session of the council of the China Association for Non-Government Education (中國民辦教育協會) from May 2008 to May 2011. Mr. He was a member of the 11th Guangdong Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆廣東省委員會) from March 2013 to December 2017, and has been a member of the 12th Guangdong Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆廣東省委員會) since January 2018. He was also appointed as an executive member of the Council of China Education Investors Chamber of Commerce* (全國工商聯民辦教育出資者商會) in August 2012 and the council member of Guangdong Association of Politically Unaffiliated Intellectual (廣東省黨外知識分子聯誼會) in November 2015. He has served as the vice president of the 2nd session of the council of Guangdong Private Education Association * (廣東省民辦教育協會) since December 2017.

Mr. He was nominated as a candidate for the 3rd National Top Ten Outstanding Figures in Private Education* (第三屆全國民辦教育十大傑出人物) by Guangming Daily House* (光明日報社) in April 2006, and was awarded the 2nd Guangzhou Outstanding Builders of the Chinese Characteristic Socialism* (廣州市第二屆優秀中國特色社會主義事業建設者) by Guangzhou Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議廣州市委員會) in May 2008, the Guangdong Private Education Outstanding Contributory Figure* (廣東省民辦教育傑出貢獻人物) by Southern Metropolis Daily (南方都市報) in March 2009, and the 3rd Guangdong Outstanding Builders of the Chinese Characteristic Socialism* (廣東省第三屆優秀中國特色社會主義事業建設者) by Guangdong Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省委員會) in November 2010, and the Advanced School Sponsor in Private Education in Guangzhou* (廣州民辦教育先進辦學者) by Guangzhou Private Education Association* (廣州民辦教育協會) in December 2015.

Ms. He Huifen (賀惠芬), aged 54, is a Controlling Shareholder of the Company. She joined the Group in January 1997. Ms. He was appointed as a Director on 15 August 2018 and as re-designated as an executive Director on 18 November 2020. Ms. He was also appointed as the chief executive officer of our Company on 18 November 2020. Ms. He is also a director of Lingnan Education BVI, SCV Education HK, Guangdong Heguang Education Technology Co., Ltd.* (廣東和光教育科技有限公司) ("**Lingnan WFOE**"), Lingnan Education, Lingnan Institute of Technology and Lingnan Modern Technician College. Ms. He is the sister of Mr. He Huishan and Ms. He Huifang, both the executive Directors and Controlling Shareholders, and sister-in-law of Ms. Zhou Lanqing, the Controlling Shareholder. Ms. He is responsible for the overall operation and management of the Group.

Ms. He has more than 24 years of experience in education. The following table shows her major working experience:

Period	School/Company	Position	Roles and responsibilities
January 1997 to present	Lingnan Education	Successively and/or concurrently served as president and director	Overall operation and management
December 2001 to present	Lingnan International School	Supervisor	Providing suggestions to major decisions
May 2002 to present	Lingnan Institute of Technology	Director and chairman of the board of directors (since January 2022)	Assisting the chairman of the board of directors in managing its business and participate in major decision-making procedure

Period	School/Company	Position	Roles and responsibilities
July 2005 to present	Lingnan Modern Technician College	Chairman of the board of directors and director	Making major decisions
January 2014 to present	Guangzhou Lingnan Tongwen Education Investment Management Co., Ltd.* (廣州嶺南同文教育投資管理有限公司) ("**Tongwen Investment**")	Chairman of the board of directors	Overall management
June 2015 to present	The Affiliated Foreign Language School of SCNU ("**Foreign Language School**")	Chairman of school council	In charge of school council affairs
July 2015 to present	Guangzhou Tongwen Education Investment Group Co., Ltd.* (廣州同文教育投資集團有限公司) ("**Tongwen Education**")	Legal representative	Overall management of investment and cooperation

Ms. He completed a diploma in industrial management and engineering studies at South China Institute of Technology (華南工學院, currently known as South China University of Technology (華南理工大學)) in Guangzhou, Guangdong Province, the PRC in December 1987. She graduated from Peking University (北京大學) in Beijing, the PRC, with a master's degree in business administration in July 2013.

Ms. He was also a member of the 12th Guangzhou Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆廣州市委員會) from December 2011 to December 2016, and has been a member of the 13th Guangzhou Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十三屆廣州市委員會) since January 2017. She has served as the vice chairman of the 6th session of the board of directors of Guangdong Chamber of International Commerce* (廣東國際商會) since March 2013, the vice president of the 6th session of the council of Guangdong Women Entrepreneurs Association* (廣東省女企業家協會) since August 2015, the vice president of the 2nd session of the council of Guangdong Women and Children's Foundation (廣東省婦女兒童基金會) since June 2017, and the vice president of the 4th session of the council of Guangzhou Association of Politically Unaffiliated Intellectual (廣州市黨外知識分子聯誼會) since December 2017. Ms. He was a representative of the 12th Chinese Women's National Congress (中國婦女第十二次全國代表大會) in 2018.

Ms. He was awarded the 2009 Chinese Economic Women's Achievement Figures (2009 中國經濟女性成就人物) by Chinese Economic Women's Development Forum Committee* (中國經濟女性發展論壇組委會) and four other social organizations in 2009, the Outstanding Entrepreneurial Women* (傑出創業女性) by China Association of Women Entrepreneurs* (中國女企業家協會) in March 2010, March 2016 and March 2018, the Nanyue Women Entrepreneurs Charity Gold Award* (南粵女企業家慈善奉獻金獎) by Guangdong Women Entrepreneurs Association* (廣東省女企業家協會) in January 2011, the Guangdong Excellent Women Entrepreneurs* (廣東省優秀女企業家) by Guangdong Women Entrepreneurs Association* (廣東省女企業家協會) in May 2011, the Nanyue Achievement Female Expert (南粵建功立業女能手) by Guangdong General Labour Union (廣東省總工會) in March 2014, the Top Ten Self-employment Award (十佳自主創業獎) by Guangdong Women Entrepreneurs Association* (廣東省女企業家協會) in August 2015, the National March 8th Red Flag Banner Holder (全國三八紅旗手) by All-China Women's Federation (中華全國婦女聯合會) in February 2016, and the Guangzhou 30-Year Entrepreneurship Meritorious Entrepreneurs* (廣州創業 30 年功勳企業家) by Guangzhou Industrial Economic Federation* (廣州工業經濟聯合會), Guangzhou Enterprises Association* (廣州市企業聯合會) and Guangzhou Entrepreneurs Association* (廣州市企業家協會) in September 2017.

Ms. He Huifang (賀惠芳), aged 51, is a Controlling Shareholder of the Company. She joined our Group in July 1995. Ms. He was appointed as an executive Director on 18 November 2020. Ms. He is the sister of Mr. He Huishan and Ms. He Huifen, both our executive Directors and Controlling Shareholders. She is the sister-in-law of Ms. Zhou Lanqing, our Controlling Shareholder. Ms. He is responsible for supervising the overall operation and management of Lingnan Education.

Ms. He has more than 26 years of experience in education. She has been assisting the chairman of the Board in managing the business of the Board and taking the role of an executive Director to look after the business of Lingnan International Kindergarten and Lingnan International School. Since July 1995, Ms. He has been serving as a director of Lingnan Education. Since November 2016, she has also been serving as a director of Tongwen Investment.

Ms. He completed a diploma in English studies in South China Normal University (華南師範大學) in Guangzhou, Guangdong Province, the PRC in July 1993 and obtained a master of business administration in Seton Hall University in New Jersey, the United States in May 2019.

Ms. He has served as the director-general (理事長) of Guangdong Lingnan Education Charity Foundation* (廣東省嶺南教育慈善基金會) since November 2011, and the vice president of Guangzhou Women and Children Welfare Association* (廣州市婦女兒童福利會) since August 2017. Ms. He was awarded Influential Public Good Figure of the Year* (年度影響力公益人物) granted jointly by news.qq.com (騰訊新聞), new.qq.com/d/gd (騰訊大粵網) and gongyi.qq.com (騰訊公益) in January 2018.

Mr. Lao Hansheng (勞漢生), aged 58, joined our Group in May 2019. Mr. Lao was appointed as an executive Director on 18 November 2020. Mr. Lao is responsible for the overall administration and management of Lingnan Institute of Technology.

Mr. Lao has more than 34 years of experience in education. He currently also serves as the principal of Lingnan Institute of Technology. Mr. Lao successively and/or concurrently served as a professor, the secretary general of academic committee and the head of teaching department at the University of Electronic Science and Technology of China Zhongshan Institute (電子科技大學中山學院) from March 1993 to January 2007; successively and/or concurrently served as a professor, the deputy dean, the executive dean and the deputy secretary of the Party Committee at the Zhongshan Torch Polytechnic (中山火炬職業技術學院) from January 2007 to July 2012 and at Polytechnic (廣東工程職業技術學院) from July 2012 to August 2015. He successively and/or concurrently served as a tier-3 professor, a tier-2 professor, the deputy dean and a member of the Party Committee of Guangdong Academy of Education (廣東省教育研究院), and a tier-2 professor at the Open University of Guangdong (廣東開放大學), Guangdong Polytechnic Institute (廣東理工職業學院), Lingnan Institute of Technology from January 2019 to October 2019.

Mr. Lao obtained the qualification as a professor of management granted by Department of Personnel of Guangdong Province (廣東省人事廳, currently known as Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳)) in December 2002. Mr. Lao graduated from Chongqing Normal University (重慶師範大學) in Chongqing, the PRC, with a bachelor's degree in mathematics in June 1983, and from Inner Mongolia Normal University (內蒙古師範大學) in Hohhot, Inner Mongolia Autonomous Region, the PRC, with a Master of Science in history of science in China in November 1987.

Mr. Lao was appointed as a deputy director of Training Expert Committee of China Packaging Federation* (中國包裝聯合會培訓專家委員會) in January 2009. He was a member of National Machinery Vocational Education and Teaching Directing Committee* (全國機械職業教育教學指導委員會) from April 2013 to January 2014. He was also appointed in July 2013 as a member of the 8th Provincial Committee of Guangdong Association for Science and Technology* (廣東省科學技術學會第八屆全省委員會), and appointed in 2013 as the vice president of the 1st Council of Guangdong Education Research Alliance* (廣東省教育研究聯盟). Mr. Lao served as the vice president of Modern Apprenticeship Working Committee of Guangdong Higher Vocational Education* (廣東省高職教育現代學徒制工作指導委員會) from July 2015 to June 2019, and the vice president of Guangdong Higher Vocational Education Teaching Quality Assurance Work Directing Committee* (廣東省高職教育教學質量保證工作指導委員會) from July 2015 to June 2019. He has been a council member (理事) of the 7th council of China Association of Higher Education (中國高等教育學會第七屆理事會) since July 2017.

Mr. Lao was awarded Guangdong Nanyue Educational Rising Star* (廣東省南粵教壇新秀) by Working Committee for Institution of Higher Education of CPC Guangdong Provincial Committee* (中共廣東省委高等學校工作委員會), Education Department of Guangdong Province and four other Guangdong provincial agencies and associations in September 1998, Important Contribution Award for Strategic Research Work (戰略研究工作重要貢獻獎) for National Mid-and Long-term Science and Technology Development Plan* (國家中長期科學和技術發展規劃) (2006-2020) by Office of Leading Group for National Med – and Long-Term Scientific and Technical Development Plan* (國家中長期科學和技術發展規劃領導小組辦公室) in July 2004, and the Outstanding Communist Party Member of Guangdong Education System (廣東省教育系統優秀共產黨員) by Education Working Committee of the CPC Guangdong Provincial Committee* (中共廣東省委教育工委) in July 2011.

Independent Non-executive Directors

Mr. Luo Pan (羅潘), aged 41, was appointed as an independent non-executive Director on 18 November 2020. Mr. Luo is responsible for providing independent opinion and judgment to our Board.

Mr. Luo has over 17 years of experience in finance and accounting and corporate governance. Mr. Luo is currently a vice president of Guangzhou Sanxin Holding Group Co., Ltd. (廣州三新控股集團有限公司) and a director of Guangdong Macro Gas Appliance Co., Ltd. (廣東萬家樂燃氣具有限公司). He successively served as an employee and a senior manager in KPMG Huazhen (Special General Partnership), Guangzhou Branch from July 2004 to May 2014, as the chief financial officer of Guangdong Macro Co., Ltd. (廣東萬家樂股份有限公司) (currently known as Guangdong Shunna Electric Co., Ltd. (廣東順鈉電氣股份有限公司) (stock code: 000533.SZ) from November 2014 to February 2017.

Mr. Luo obtained the qualification as Certified Public Accountant granted by The Chinese Institute of Certified Public Accountants and authorized by Guangdong Institute of Certified Public Accountants in October 2011, and as Certified Public Accountant granted by Board of Accountancy of Department of Professional and Financial Regulation of the State of Maine, United States, in October 2013. Mr. Luo graduated from Sun Yat-sen University (中山大學) in Guangzhou, Guangdong Province, the PRC in June 2003, with a Bachelor of Science in theoretical and applied mechanics obtained in June 2003 and a Bachelor of Management in accounting obtained in June 2004.

Mr. Yeh Zhe-Wei (葉哲瑋), formerly known as Mr. Yeh Shih-Yin (葉士穎), aged 56, was appointed as an independent non-executive Director on 18 November 2020. Mr. Yeh is responsible for providing independent opinion and judgment to our Board.

Mr. Yeh has over 31 years of experience in law, investment and business administration. Mr. Yeh currently is a deputy director of Guang-Fu International Law Office (廣福國際法律事務所). He served as the chief investment officer of Trinity Financial Services Inc. (currently known as Metro Direction Financial Inc.) from March 1999 to April 2004, and the chief investment officer of Central Reinsurance Corporation (中央再保險股份有限公司) (TPE: 2851) from May 2004 to July 2012. From August 2006 to July 2007, he took the role of adjunct lecturer, teaching coursers of securities trading law in Chinese Culture University (中國文化大學).

Mr. Yeh obtained HKSI Institute Practicing Certificate (Corporate Finance) and HKSI Institute Practicing Certificate (Asset Management) in August 2019, and HKSI Institute Practicing Certificate (Securities) and HKSI Institute Specialist Certificate (Asset Management) in November 2019, all granted by Hong Kong Securities and Investment Institute. Mr. Yeh graduated from Chinese Culture University (中國文化大學) in Taipei, Taiwan, with a bachelor's degree in law in June 1987 and with a master's degree in law in June 1991, and from National University of Singapore (新加坡國立大學) in Singapore, with a Master of Business Administration in June 2017.

Mr. Yeh was appointed as the supervisor of the Taiwan Alumni Chapter of National University of Singapore Business School in December 2018.

Mr. Ma Shuchao (馬樹超), aged 68, was appointed as an independent non-executive Director on 18 November 2020. Mr. Ma is responsible for providing independent opinion and judgment to our Board.

Mr. Ma has over 16 years of experience in education. He was appointed as the deputy director (副所長) of Institute of Intellectual Development* (智力開發研究所) of Shanghai Academy of Educational Sciences (上海教育科學研究院) in May 1996, and was appointed as the consultant (調研員) of Research Office of Shanghai Municipal People's Government (上海市人民政府研究室) in July 1997.

Mr. Ma graduated from Nanjing Institute of Meteorology* (南京氣象學院, currently known as Nanjing University of Information Science and Technology (南京信息工程大學)) in Nanjing, Jiangsu Province, the PRC, with a Bachelor of Science in synoptic dynamics in November 1982. He attended class for advanced studies in administration and management of institution of higher education in East China Normal University (華東師範大學) in Shanghai, the PRC, and completed the study with a certificate in June 1986. He also studied in graduate class for higher education administration and management in Beijing Normal University (北京師範大學) in Beijing, the PRC, and graduated with a diploma in July 1989.

Mr. Ma has presided over compilation and publication of the Annual Report on the Quality of Higher Vocational Education in China (中國高等職業教育質量年度報告) for eight years since 2012. Mr. Ma served as the vice president of The Chinese Society of Vocational and Technical Education (中國職業技術教育學會) from February 2013 to June 2020 and has been a member of its Academic Committee since December 2019. Mr. Ma was a member of Shanghai Education Comprehensive Reform Expert Advisory Committee* (上海市教育綜合改革專家諮詢委員會) from December 2015 to December 2016. He has served as the chief expert of the project of "Evaluation of the Ability of National Higher Vocational Institutions on Adapting to Social Needs" (全國高等職業院校適應社會需求能力評估) and the project of "Evaluation of the Ability of National Secondary Vocational Schools on Education Capacity" (全國中等職業學校辦學能力評估) entrusted by the Office of the Education Supervision Committee of the State Council* (國務院教育督導委員會辦公室) since 2016. He has also been an expert committee member of National Teaching Materials Committee* (國家教材委員會) since July 2017, a member of the 4th Academic Committee of China Association of Higher Education (中國高等教育學會學術委員會) since October 2017, a consultant of National Joint Convention of Presidents of Higher Vocational Institutions* (全國高職高專校長聯席會議) since December 2018, the president of Shanghai Vocational Education Association* (上海市職業教育協會) since June 2019.

Mr. Ma was awarded the Advanced Individual in National Vocational Education granted jointly by the MOE, National Development and Reform Commission (國家發展和改革委員會), the MOF and four other state departments and agencies in November 2005, the special government allowances (政府特殊津貼) by the State Council in February 2013, and the National Excellent Educator (全國優秀教育工作者) by the MOE in 2014.

Senior Management

Mr. Wang Tao (王濤) aged 41, joined our Group as assistant to the president of Lingnan Education in April 2018. He was appointed as the chief financial officer and joint company secretary of our Company on 18 November 2020 and 19 November 2020, respectively. He has also served as the chief financial officer of Lingnan Education since March 2020. Mr. Wang is responsible for overall management of financial and investment matters of the Group.

Mr. Wang has more than 15 years of experience in finance and accounting. Prior to joining the Group, Mr. Wang served as an audit manager at PricewaterhouseCoppers Consultants (Shenzhen) Limited from February 2007 to April 2011, and served as financial controller in Bright Scholar Education Holdings Ltd., a company listed in the New York Stock Exchange (stock code: BEDU).

Mr. Wang is a certified public accountant certified by the Guam Board of Accountancy in the U.S. and a certified internal auditor certified by the Institute of Internal Auditors. Mr. Wang graduated from Guangdong University of Foreign Studies (廣東外語外貿大學) with a bachelor's degree in applied English (foreign finance) in Guangdong Province, the PRC in June 2002.

Joint Company Secretaries

Mr. Wang Tao (王濤) was appointed as one of our joint company secretaries on 19 November 2020. For details of Mr. Wang Tao's biography, please see "－Senior Management" in this section.

Ms. Lau Jeanie (劉准羽), aged 44, was appointed as one of our joint company secretaries on 28 May 2021. Ms. Lau is an assistant vice president of Corporate Secretarial Department of SWCS Corporate Services Group (Hong Kong) Limited. She is an associate member of both The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in England and The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). She has over 15 years of experience in corporate secretarial practice. She has been providing corporate services to companies overseas and in Hong Kong. Ms. Lau had been a company secretary of various listed companies on the Main Board of the Stock Exchange over the last 10 years.

The Directors have pleasure in presenting their report together with the audited consolidated financial statements for the Reporting Period.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in providing private higher vocational education in the PRC. Details of the principal activities of the Group's subsidiaries are set out in note 1 to the consolidated financial statements.

SUBSIDIARIES

Details of the subsidiaries of the Group as at 31 December 2021 are set out in note 1 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the audited consolidated statement of profit or loss and other comprehensive income on page 108 of this report.

BUSINESS REVIEW

A review of the business of the Company and a discussion and analysis of the Company's performance during the Reporting Period, the material factors underlying its results and financial position and analysis using the Company's financial key performance indicators for the Reporting Period are provided in the "Management Discussion and Analysis" on pages 9 to 20 of this report. Main risks and uncertain factors faced by the Group and corresponding mitigation methods are set out in note 35 to the consolidated financial statements. The future development of the Company's business is discussed throughout this report including in the "Chairman's Statement" on pages 7 to 8 and "Management Discussion and Analysis" on pages 9 to 20 of this report. The Board recognises the importance of environmental protection and has adopted stringent measures for environmental protection in order to ensure the Group's compliance to the prevailing environmental protection laws and regulations. Additional details regarding the Company's performance on environmental and social-related key performance indicators and policies are provided in the "Environmental Protection" of this Report of Directors on page 77. Compliance with relevant laws and regulations which have a significant impact on the Company are provided in the "Compliance with Laws and Regulations" of this Report of Directors. The Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the company and on which the Company's success depends are provided in the "Relationship with Employees, Customers and Suppliers" of this Report of the Directors.

FINANCIAL STATEMENTS

The summary of the results, assets and liabilities of the Group for the Reporting Period and the state of the Company's and the Group's affairs as 31 December 2021 are set out in the consolidated financial statements on pages 108 to 212 of this report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in note 25 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company for the Reporting Period are set out in the consolidated statement of changes in equity and note 36 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company has distributable reserves of approximately RMB399.8 million in total available for distribution, of which approximately RMB60.6 million has been proposed as final dividend for the year ended 31 December 2021.

DIVIDENDS AND DIVIDEND POLICY

The Directors have recommended the payment of a final cash dividend of HK5.6 cents per share for the Reporting Period to the shareholders whose names are on the register of members of the Company on Thursday, 2 June 2022. Subject to approval by the shareholders at the AGM (as defined below) and compliance with the Companies Law of the Cayman Islands, the final dividend will be paid on Thursday, 23 June 2022 and the register of members of the Company will be closed from Wednesday, 1 June 2022 to Thursday, 2 June 2022, both days inclusive, for determination of entitlement of the final dividend, during which period no transfer of shares of the Company (the "**Share(s)**") will be registered. There is no arrangement that a shareholder has waived or agreed to waive any dividend.

The board of directors of the Company (the "**Board**") has adopted a dividend policy. The Company do not have any pre-determined dividend payout ratio. The Board shall also take into account the following factors of the Group when considering the declaration and payment of dividends: financial results; cash flow situation; business conditions and strategies; future operations and earnings; capital requirements and expenditure plans; interests of shareholders; any restrictions on payment of dividends; and any other factors that the Board may consider relevant.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and equity of the Group for the last four financial years ended 31 December is set out on page 6 of this report.

CHARITABLE DONATIONS

The Company made a donation of approximately RMB3.3 million to various charity projects or organisations for the Reporting Period.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group for the Reporting Period are set out in note 13 to the consolidated financial statements.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 December 2021 are set out in note 23 to the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no significant contingent liabilities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company had maintained the prescribed public float of not less than 25% of the Company's issued Shares as required under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the period from the Listing Date (as defined below) to 31 December 2021 and up to the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "**Articles of Association**") or the laws of Cayman Islands where the Company is incorporated applicable to the Company.

DIRECTORS

The Directors during the Reporting Period and as of the date of this report were:

Executive Directors

Mr. He Huishan *(Chairman)*
Ms. He Huifen *(Chief Executive Officer)*
Ms. He Huifang
Mr. Lao Hansheng

Independent Non-Executive Directors

Mr. Luo Pan
Mr. Yeh Zhe-Wei
Mr. Ma Shuchao

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the Listing Rules.

In accordance with article 84 of the Articles of Association, Ms. He Huifen, Ms. He Huifang and Mr. Luo Pan will retire from the Board by rotation at the forthcoming annual general meeting. Each of Ms. He Huifen, Ms. He Huifang and Mr. Luo Pan, being eligible, offers themselves for re-election. No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out on pages 21 to 34 of this report.

CHANGES IN DIRECTORS' INFORMATION

Save as disclosed in this report, no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Other than as disclosed in this annual report or note 8 to the consolidated financial statements, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party to and in which a Director or its connected entity (within the meaning of section 486 of the Companies Ordinance) had a material interest in, whether directly or indirectly, and subsisted as at 31 December 2021 or at any time throughout the period from the Listing Date (as defined below) and up to 31 December 2021.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years with effect from the Listing Date and shall be automatically renewed for another three years unless terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term. Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial fixed term of one year with effect from the Listing Date and shall be automatically renewed for another one year unless terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term. The appointments are subject to the provisions of retirement and rotation of directors under the Articles of Association. None of the Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors, namely Mr. Luo Pan, Mr. Yeh Zhe-Wei and Mr. Ma Shuchao, the annual confirmation of their respective independence pursuant to Rule 3.13 of the Listing Rules. The Company has duly reviewed the confirmation of independence of each of these Directors. We consider that our independent non-executive Directors have been independent from the date of their appointment and up to 31 December 2021 and remain so as at the date of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARE, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**"), Chapter 571 of the Laws of Hong Kong), as notified to the Company and the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), were as follows:

Long Position in the Shares of the Company

Name of Director	Nature of interest	Number of shares held	Position	Approximate percentage of shareholding in the Company as at 31 December 2021[1]
Mr. He Huishan	Interest in a controlled Corporation[2][3]	620,000,000	Long	46.48%
Ms. He Huifen	Interest in a controlled Corporation[4]	190,000,000	Long	14.24%
Ms. He Huifang	Interest in a controlled Corporation[5]	190,000,000	Long	14.24%

Notes:

(1) Based on the number of issued shares as at 31 December 2021, being, 1,334,000,000 shares.

(2) Zhihui Guang Limited ("**Zhihui Guang**") is owned as to 51% by Mr. He Huishan and 49% by Ms. Zhou Lanqing, respectively. Ms. Zhou Lanqing is the spouse of Mr. He Huishan. Mr. He Huishan is therefore deemed to be interested in the shares held by Zhihui Guang by virtue of the SFO, being 570,000,000 shares.

(3) Mr. He Huishan is the sole shareholder of Good Booming Limited ("**Good Booming**"). Mr. He Huishan is therefore deemed to be interested in the shares held by Good Booming by virtue of the SFO, being 50,000,000 shares.

(4) Ms. He Huifen is the sole shareholder of China Foreign Education Limited ("**China Foreign Education**"). Ms. He Huifen is therefore deemed to be interested in the shares held by China Foreign Education by virtue of the SFO, being 190,000,000 shares.

(5) Ms. He Huifang is the sole shareholder of Fangyuan International Education Investment Limited ("**Fangyuan Education**"). Ms. He Huifang is therefore deemed to be interested in the shares held by Fangyuan Education by virtue of the SFO, being 190,000,000 shares.

Long Position in the Shares of the Associated Companies

Long Position in the Shares of Guangzhou Lingnan Education Group Co., Ltd. (廣州嶺南教育集團有限公司)

Name of Director	Nature of interest	Number of shares held	Position	Approximate percentage of shareholding in the Company as at 31 December 2021[1]
Mr. He Huishan	Beneficial owner	18,000,000	Long	60.00%
Ms. He Huifen	Beneficial owner	6,000,000	Long	20.00%
Ms. He Huifang	Beneficial owner	6,000,000	Long	20.00%

Notes:

(1) Based on the number of issued shares of Guangzhou Lingnan Education Group Co., Ltd. as at 31 December 2021, being, 30,000,000 shares.

Save as disclosed above, as at 31 December 2021, neither the chief executive of the Company nor any of the Directors had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, so far as is known to the Directors or chief executive of the Company, the following persons (other than Directors or chief executive of the Company) or corporations who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of Substantial Shareholder	Nature of interest	Number of shares held	Position	Approximate percentage of shareholding in the Company as at 31 December 2021[1]
Zhihui Guang	Beneficial owner[2]	570,000,000	Long	42.73%
Ms. Zhou Lanqing	Interest in a controlled corporation[2]	570,000,000	Long	42.73%
	Spouse interest[2][3]	50,000,000	Long	3.75%
China Foreign Education	Beneficial owner[4]	190,000,000	Long	14.24%
Mr. Han Liqing	Spouse interest[4]	190,000,000	Long	14.24%
Fangyuan Education	Beneficial owner[5]	190,000,000	Long	14.24%
Mr. Du Wenyu	Spouse interest[5]	190,000,000	Long	14.24%

Notes:

(1) Based on the number of issued Shares as at 31 December 2021, being, 1,334,000,000 shares.

(2) Zhuihui Guang is owned as to 51% by Mr. He Huishan and 49% by Ms. Zhou Lanqing, respectively. Ms. Zhou Lanqing is the spouse of Mr. He Huishan. Ms. Zhou Lanqing is therefore deemed to be interested in the Shares held by Zhihui Guang by virtue of the SFO, being 570,000,000 Shares.

(3) Mr. He Huishan is the sole shareholder of Good Booming. Ms. Zhou Lanqing is the spouse of Mr. He Huishan. Ms. Zhou Lanqing is therefore deemed to be interested in the Shares held by Good Booming by virtue of the SFO, being 50,000,000 Shares.

(4) Ms. He Huifen is the sole shareholder of China Foreign Education. Mr. Han Liqing is the spouse of Ms. He Huifen. Mr. Han Liqing is therefore deemed to be interested in the Shares held by China Foreign Education by virtue of the SFO, being 190,000,000 Shares.

(5) Ms. He Huifang is the sole shareholder of Fangyuan Education. Mr. Du Wenyu is the spouse of Ms. He Huifang. Mr. Du Wenyu is therefore deemed to be interested in the Share held by Fangyuan Education by virtue of the SFO, being 190,000,000 Shares.

Save as disclosed above, as at 31 December 2021, the Directors and the chief executive of the Company are not aware of any other person (other than Directors or chief executive of the Company) or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Company did not acquire and/or dispose any of its subsidiaries, associates, interests in joint ventures or affiliated companies for the period from the Listing Date (as defined below) and up to 31 December 2021.

FUND RAISING AND USE OF PROCEEDS

On 13 July 2021, pursuant to a written resolution of the shareholders of the Company (the "**Shareholders**"), the Directors were authorised to capitalise the amount of HK$9,990,000 to pay up in full at par 999,000,000 Shares for allotment and issue to the Shareholders whose names appear on the register of members of the Company prior to the Global Offering (as defined below) on a pro rata basis (the "**Capitalisation Issue**").

The shares of the Company were listed on the Stock Exchange on 13 July 2021 (the "**Listing Date**") by way of a global offering of its ordinary shares (the "**Global Offering**"). Pursuant to the Global Offering, 334,000,000 Shares (25% of the then total number of Shares of the Company of 1,334,000,000) were issued to the public at a price of HK$1.59 per Share. Immediately following the completion of the Capitalisation Issue and the Global Offering, the authorised share capital of the Company was HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each.

Please refer to the Prospectus of the Company (the "**Prospectus**") and the announcements of the Company dated 30 June 2021 and 12 July 2021, respectively, for further details.

The net proceeds from the Global Offering, after deducting underwriting commission and other expenses, were approximately HK$446.0 million.

The following table sets forth a summary of the utilisation of the net proceeds from the Global Offering:

Purpose		Net proceeds[Note] HK$' Million	Utilised amount during the Reporting Period HK$' Million	Utilised amount as at the date of this report HK$' Million	Unutilised amount as at the date of this report HK$' Million	Expected timeline
Further increase student capacity of the schools with an aim to upgrade Lingnan Institute of Technology from an associate college to a vocational university						
– Acquiring additional land of approximately 400,200 sq.m.	55.0%	245.3	–	–	245.3	2021-2023
– Constructing additional teaching and administrative facilities and purchasing teaching equipment	12.0%	53.5	53.5	53.5	–	2021
– Constructing an industry and education integrated industrial park	3.0%	13.4	1.7	1.7	11.7	2021-2022
Acquire other schools and educational service providers to expand the school network	20.0%	89.2	–	–	89.2	2022-2023
Working capital	10.0%	44.6	28.0	28.0	16.6	2021-2022
Total	100.0%	446.0	83.2	83.2	362.8	

Note: The figures of the net proceeds are slightly different from that disclosed in the interim results announcement of the Company dated 30 August 2021 and the interim report of the Company for the six months ended 30 June 2021 as more expenses were deducted from the proceeds from the Global Offering as at 31 December 2021 with relevant professional service fees fully settled.

As at the date of this report, there was no change in the intended use of net proceeds and the expected timeline as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus except that (1) the timeline for acquisition of other schools and educational service providers to expand the school network was extended from 2022 to 2023 as the Group needs more time to secure suitable acquisition targets considering the downward market trend for 2022, and (2) for each intended use of net proceeds, the proportion of the net proceeds allocated to each year during their respective expected timeline was adjusted according the practical situation of execution.

Save as disclosed above, the Company has not conducted any other equity fund raising activities during the Reporting Period and up to the date of this report.

DEBENTURES IN ISSUE

The Company did not have any debentures in issue during the period from the Listing Date and up to 31 December 2021.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this report, as at 31 December 2021 and throughout the period from the Listing Date and up to 31 December 2021, the Company did not enter into (i) any agreement that will or may result in the Company issuing Shares; or (ii) any agreement requiring the Company to enter into any agreement specified in (i).

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

The Company has purchased appropriate liability insurance for its Directors and senior management. The permitted indemnity provisions are set out in such liability insurance. Save as disclosed above, no permitted indemnity provision was made by the Company for the period from the Listing Date and up to 31 December 2021 and no permitted indemnity provision was in force as at the date of this report.

SHARE OPTION SCHEMES

A share option scheme (the "**Scheme**") was conditionally approved by a written resolution of the Shareholder on 23 June 2021 and adopted by a resolution of the board of directors on the same day. The terms of the Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules. Details of the share option scheme are set out in "Appendix IV — Statutory and General Information" of the Prospectus.

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

The Board may, at its absolute discretion, offer options (“**Options**”) to subscribe for such number of Shares in accordance with the terms set out in the Scheme to:

(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group (“**Executive**”), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group (“**Employee**”);

(b) a director or proposed director (including an independent non-executive director) of any member of our Group;

(c) a direct or indirect shareholder of any member of our Group;

(d) a supplier of goods or services to any member of our Group;

(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;

(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group;

(g) an associate of any of the persons referred to in paragraphs (a) to (f) above; and

(h) any person involved in the business affairs of our Company whom our Board determined to participate in the Share Option Scheme (the person referred above are the “**Eligible Persons**”).

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issued as at the Listing Date, representing 133,400,000 Shares. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of our Group shall not exceed 30% of the Company's issued share capital from time to time. No Options may be granted under the Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.

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

An option may be exercised in accordance with the terms of the Scheme at any time during a period as determined by the Board. Subject to the terms of the Scheme, the Scheme shall be valid and effective for a period of 10 years from the Listing Date, after which no further Options will be granted or offered but the provisions of the Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Scheme. Subject to the terms and conditions as the Board may determine (including such terms and conditions in relation to their vesting, exercise or otherwise), there is no minimum period for which an Option must be held before it can be exercised. Participants of the Scheme are required to pay the Company HK$1.0 upon acceptance of the grant on or before the 28 days after the offer date. The exercise price of the Options is determined by the Board in its absolute discretion and shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

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

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the offer date.

The Scheme has a remaining life of approximately nine years as at the date of this annual report.

For the period from the date of the adoption of the Scheme to the date of this report, no options were granted, outstanding, exercised, cancelled or lapsed under the Scheme. Thus, as at the date of this report, the number of Shares issuable under the Scheme was 133,400,000, which represented 10% of the Shares in issue as at the same date.

ARRANGEMENT FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in subsection headed "Share Option Scheme" above, at no time during the period from the Listing Date and up to 31 December 2021, were rights to acquire benefits by means of the acquisition of Share or debentures of the Company or any other body corporate granted to any Director or their respective spouses or minor children, or were such rights exercised by them, or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouses or minor children to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

NON-COMPETE UNDERTAKINGS

The Controlling Shareholders (as defined in the Prospectus) have entered into the Deed of Non-competition (as defined in the Prospectus) on 23 June 2021 in favour of the Company, pursuant to which the Controlling Shareholders have jointly and severally and irrevocably undertaken with the Company (for itself and for the benefit of its subsidiaries) that it or he or she would not, and would procure that its/his/her associates (except any members of the Group) would not, during the restricted period as set out in the Deed of Non-competition, directly or indirectly, either on its/his/her own account or in conjunction with or on behalf of any person, company (enterprise or corporate entity), partnership or associate (whether of an economic nature), among other things, carry on, participate or be interested or engaged in or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of the Group from time to time. Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders — Non-competition Undertaking of the Controlling Shareholders" in the Prospectus.

Each of the Controlling Shareholders has confirmed to the Company of his/her compliance with the non-compete undertakings provided to the Company under the Deed of Non-competition during the period from the date of Deed of Non-competition to 31 December 2021. The independent non-executive Directors of the Company have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-competition have been complied with by the Controlling Shareholders during the period from the date of Deed of Non-competition to 31 December 2021.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time throughout the period from the Listing Date and up to and including the date of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the period from the Listing Date and up to the date of this report.

MATERIAL CONTRACTS

Save as disclosed in this annual report, at no time during the period from the Listing Date and up to 31 December 2021 had the Company or any of its subsidiaries entered into any material contracts with the Controlling Shareholders or any of its subsidiaries, nor had any material contacts been entered into for the services provided by the Controlling Shareholders or any of its subsidiaries to the Company or any of its subsidiaries.

CONNECTED TRANSACTION

Among the related party transactions disclosed in note 31 to the consolidated financial statements, the following transactions constitute continuing connected transactions for the Company and are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. Except as disclosed below, other related party transactions do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with the Listing Rules in respect of the following continuing connected transactions. Please see below the information required to be disclosed in compliance with Chapter 14A of the Listing Rules.

The Group has entered into certain non-exempt continuing connected transactions as disclosed in the section headed "Connected Transactions" of the Prospectus.

References are made to the section headed "Connected Transactions" in the Prospectus, in relation to, among others: (i) the brand licensing cooperation agreement entered into by Lingnan Education with Lingnan International Kindergarten (the "**Brand Licensing Cooperation Agreement I**") and the brand licensing cooperation agreement entered into by Lingnan Education with Lingnan International School (the "**Brand Licensing Cooperation Agreement II**", together with Brand Licensing Cooperation Agreement I, the "**Brand Licensing Cooperation Agreements**"), both dated 1 January 2020; (ii) the lease agreements (the "**Property Lease Agreements**") entered into between the Group and Tongwen Investment and between the Group and Health Valley, all dated in August 2020; and (iii) the contractual arrangements (the "**Contractual Arrangements**") entered into among Lingnan WFOE, the PRC Affiliated Entities (as defined in the Prospectus), the shareholders of Lingnan Education namely Mr. He Huishan, Ms. He Huifen and Ms. He Huifang, (the "**Registered Shareholders**") and directors of the Group's schools dated 21 November 2020.

(1) Brand Licensing Cooperation Agreements

Pursuant to the Brand Licensing Cooperation Agreements, Lingnan Education agreed to license its trademark (registration number: 12590267) exclusively to each of Lingnan International School and Lingnan International Kindergarten (the "**Relevant Schools**") and permit each of the relevant schools using the trademark for branding and marketing on various online and offline platforms in relation to their respective operations. For each of the Relevant Schools, the use of trademark shall be restricted within the territory of PRC and any sub-licensing by each of the relevant schools without prior authorization from Lingnan Education shall be prohibited. In consideration of the foregoing services, each of the Relevant Schools shall pay to Lingnan Education an annual brand licensing fee equivalent to 8% of their respective revenue for each year. The Brand Licensing Cooperation Agreement I is for a term of three years from 1 January 2020 to 31 December 2022. The Brand Licensing Cooperation Agreement II was for a term of three years from 1 January 2020 to 31 December 2022 upon execution, and was further terminated on 31 August 2021 in light of the promulgation of the 2021 Implementation Rules on 14 May 2021 which has taken effect from 1 September 2021. Upon termination of the Brand Licensing Cooperation Agreement II on 31 August 2021, Lingnan International School ceased to be authorised to use the relevant trademark licensed under the Brand Licensing Cooperation Agreement II.

Each of Lingnan International Kindergarten and Lingnan International School is wholly owned by Mr. He Huishan and Ms. He Huifang, respectively. Each of Mr. He Huishan and Ms. He Huifang is a Director and a substantial shareholder. Therefore, each of Lingnan International Kindergarten and Lingnan International School is an associate of Mr. He Huishan and Ms. He Huifang, respectively, and a connected person of the Company according to Rule 14A.12(1)(c) of the Listing Rules. Accordingly, the Directors consider it appropriate to aggregate the brand licensing fees payable by each of the relevant schools under the each of the Brand Licensing Cooperation Agreements to calculate the applicable percentage ratios under Chapter 14 of the Listing Rules for the Brand Licensing Cooperation Agreements.

The annual caps for the brand licensing fees payable by each of the Relevant Schools under the Brand Licensing Cooperation Agreements on an aggregated basis for the year ended 31 December 2021 and the year ending 31 December 2022 are RMB3,180,000 and RMB1,777,000, respectively. The actual amount of the brand licensing fees paid or payable by the Relevant Schools under the Brand Licensing Agreements on an aggregated basis for the year ended 31 December 2021 was RMB2,365,000.

Based on annual caps of the brand licensing fees payable to Lingnan Education under the Brand Licensing Cooperation Agreements as aggregated, the Directors expect that all of the applicable percentage ratios (other than the profits ratio) for each of the Brand Licensing Cooperation Agreements calculated in accordance with Rule 14A.77 of the Listing Rules will be higher than 0.1% but less than 5% and the largest annual cap of the brand licensing fees payable to Lingnan Education under the Brand Licensing Cooperation Agreements as aggregated exceed HK$3,000,000. Thus the transactions contemplated under the Brand Licensing Cooperation Agreements constitute non-exempt continuing connected transactions of our Company which are subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to the Company under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Brand Licensing Cooperation Agreements, provided that the total value of transactions under the Brand Licensing Cooperation Agreements as aggregated for the year ended 31 December 2021 has not and for the year ending 31 December 2022 will not exceed the relevant proposed annual caps.

In addition, the Company has confirmed that it has complied with the applicable requirements set out in Chapter 14A of the Listing Rules in relation to such non-exempt continuing connected transaction since the Listing, and will re-comply with relevant Listing Rules if the annual caps are exceeded, or when the Brand Licensing Cooperation Agreement I is renewed or when there is a material change to the terms of any of the Brand Licensing Cooperation Agreements unless the Company applies for and obtain a separate waiver from the Stock Exchange.

(2) Property Lease Agreements

Prior to the listing of the shares of the Company on the Stock Exchange, the Group sub-leased certain properties which were leased from Guangzhou Yangji Economic Development Co., Ltd. (廣州市楊箕經濟發展有限公司) ("**Guangzhou Yangji**") or Xintang Lease to Guangzhou State-owned Xintang griculture and Commerce Union Co., Ltd. (廣州市國營新塘農工商聯合公司) ("**Guangzhou Xintang**") to its connected persons for use in the operation of their respective schools, education and training center and elderly care center. The term of the lease agreement between the Group and Guangzhou Yangji was from September 2010 to August 2030. The Group considers it more practical and cost-saving for it to sub-lease relevant properties directly to its connected persons, rather than terminating the current effective lease agreement between the Group and Guangzhou Yangji and having its connected persons enter into new lease agreements with Guangzhou Yangji. The lease agreement between the Group and Guangzhou Xintang was entered into in 1999 and is in the process of being amended by way of entering into a new lease agreement to reflect the changed requirements of relevant PRC law. Though Guangzhou Xintang can directly enter into different lease agreements with its different connected persons for the lease of relevant properties, Guangzhou Xintang, the landlord, which is a state-owned enterprise, is inclined to enter into one single lease agreement with one single entity rather than multiple entities, such that (i) its related administrative costs can be maintained at the minimum level, and (ii) it would be more practicable and convenient for Guangzhou Xintang to monitor its lease arrangement with the Group while the properties can be used by different entities through the sub-leasing arrangement between the Group and its connected persons. Taking into consideration the historical long-term lease arrangement with the Group, Guangzhou Xintang prefers to maintain the current arrangement and only make amendment to the lease agreement with the Group to the extent necessary to comply with the relevant PRC law. Therefore, the leases between the Group and its connected persons shall continue upon Listing and set out below are the details regarding the Property Lease Agreements entered into between the Group and connected persons.

The particulars of the Property Lease Agreements are summarised below.

	Date of the Lease Agreement	Lessor	Lessee	Duration of the Lease	Description and Use of the Property Lease	Rental (RMB)
1.	20 August 2020	Lingnan Institute of Technology	Tongwen Investment	For a term of one year ended 31 August 2021[3]	Six properties used as teaching complex, dormitory, canteen, supporting and administrative office for Tongwen Investment's primary and secondary school business and vacant lots with the total gross floor area of approximately 69,017 sq.m. located at No. 2 Science Boulevard, Science City, Development Zone, Guangzhou, Guangdong Province, the PRC, comprising • supporting office with the gross floor areas of 790.18 sq.m.; • vacant lots with the gross floor areas of 28,853 sq.m.; and • teaching complex, dormitory and canteen with the aggregate gross floor area of 39,373.33 sq.m.	Rental rate for each type of properties for the school year ended 31 August 2021 are as follows: • supporting office: 60.78/sq.m. per month; • vacant lots: 7.64/sq.m. per month; and • teaching complex, dormitory and canteen: 38.20/sq.m. per month. The rental rates set out above shall be increased by 5% for each of the subsequent school years.

	Date of the Lease Agreement	Lessor	Lessee	Duration of the Lease	Description and Use of the Property Lease	Rental (RMB)
2.	20 August 2020	Lingnan Education	Tongwen Investment	For a term of one year ended 31 August 2021[3]	One property primarily used as school area for Tongwen Investment's primary and secondary school with the total gross floor area of approximately 7,026 sq.m. located at No. 2 Science Boulevard, Science City, Development Zone, Guangzhou, Guangdong Province, the PRC.	38.20/sq.m. per month for the school year ended 31 August 2021, and shall be increased by 5% for each of the subsequent school years.
3.	10 August 2020	Lingnan Education	Health Valley	For a term of three years ending August 31 2023[1]	Two properties used as elderly care building, nursing building and supporting and administrative office for Health Valley's elderly care and nursing business with the total gross floor area of approximately 23,549 sq.m. located at No. 492 Daguang Middle Road, Tianhe District, Guangzhou, Guangdong Province, the PRC.	The rent of the properties shall be 38.20/sq.m. per month for the school year ended 31 August 2021, and shall be increased by 5% for each of the subsequent school years.

	Date of the Lease Agreement	Lessor	Lessee	Duration of the Lease	Description and Use of the Property Lease	Rental (RMB)
4.	12 August 2020	Lingnan Institute of Technology	Health Valley	For a term of three years ending 31 August 2023[1]	Four properties used as elderly care building, nursing building and supporting and administrative office for Health Valley's elderly care and nursing business with the total gross floor area of approximately 15,546 sq.m. located at No. 492 Daguang Middle Road, Tianhe District, Guangzhou, Guangdong Province, the PRC.	The rent of the properties shall be 38.20/sq.m. per month for the school year ended 31 August 2021, and shall be increased by 5% for each of the subsequent school years.

Notes:

(1) Upon expiry of the relevant waiver on 31 December 2022, the Company will re-comply with relevant Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

(2) Under each of the Property Lease Agreements, the lessee shall be responsible for the relevant utilities fees to be paid on a monthly basis.

(3) This Property Lease Agreements were for a term of three years from 31 August 2020 to 31 August 2023 upon execution, and were further agreed among the parties to be terminated on 31 August 2021 (except for the Remaining Tongwen Property under the first Property Lease Agreement listed in the table above) in light of the promulgation of the 2021 Implementation Rules on 14 May 2021 which took effect from 1 September 2021. The 2021 Implementation Rules prohibit private schools that provide compulsory education from entering into transactions with their interested parties. Such interested parties include the sponsor, the actual controller, the principal, the director, the supervisor, the person in charge of the financial matters of a privately-operated school, and entity or individual who has the relationship of mutual control and influence over the above-mentioned entities or individuals, which may lead to any type of interest transfer by the schools providing compulsory education. Some of the properties leased by Tongwen Investment from the Group under these Property Lease Agreements are for use by Foreign Language School, one of our interested parties, which provides compulsory education. The transactions contemplated under the relevant Property Lease Agreement between the Group and Tongwen Investment is therefore subject to the aforesaid prohibition under the 2021 Implementation Rules in relation to interested party transactions and shall not be continued on and after 1 September 2021.

For more details of each of the Property Lease Agreements, please refer to the section headed "Connected Transactions" of the Prospectus.

The rental payable for each school year is decided by reference to the market rate as determined by the Group's independent property valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, pursuant to applicable laws and regulations and the Listing Rules. Pursuant to each of the Property Lease Agreements, a party shall not terminate the agreement without serving a written notice of 12 months and obtaining the consent of the other party. Upon expiry of each of the Property Lease Agreements, if the parties intend to continue the lease arrangements in respect of the properties concerned, they shall enter into a new governing agreement.

Each of Mr. He Huishan, Ms. He Huifen and Ms. He Huifang is an executive Director and each of Mr. He Huishan, Ms. He Huifen, Ms. Zhou Lanqing and Ms. He Huifang is a substantial shareholder upon the Listing, and therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules. As of the date of the Prospectus, Tongwen Education is owned as to 44.5% by Ms. He Huifen, 12.75% by Mr. Han Liqing, 24% by Ms. Zhou Lanqing and 18.75% by Ms. He Huifang and hence an associate of the Controlling Shareholders and a connected person of the Company. Tongwen Investment is owned as to 80% by Tongwen Education, and hence is an associate of the Controlling Shareholders and a connected person of our Company. As of the date of the Prospectus, Health Valley is owned as to 80% by Mr. He Huishan and 20% by Ms. Zhou Lanqing, respectively, and hence is an associate of the Controlling Shareholders and a connected person of the Company.

Since the Property Lease Agreements are entered into by the Group on one hand, and associates of the Controlling Shareholders on the other hand, the Property Lease Agreements may be aggregated by the Stock Exchange under Rule 14A of the Listing Rules. Accordingly, the Directors consider it appropriate to aggregate the annual rental under the Property Lease Agreements to calculate the applicable percentage ratios under Chapter 14 of the Listing Rules for the Property Lease Agreements.

The annual caps for the annual rental payable under the Property Lease Agreements on an aggregated basis for the years ended 31 December 2021 and the year ending 31 December 2022 are RMB33,349,000 and RMB18,808,000, respectively. The actual amount of the annual rental the Group is entitled to under the Property Lease Agreements for the year ended 31 December 2021 was RMB32,935,000.

Based on the current annual rent payable to the Group as aggregated, the Directors expect that one or more of the applicable percentage ratios (other than the profits ratio) for the Property Lease Agreements will be more than 5%, and thus the connected transaction contemplated under the Property Lease Agreements as aggregated constitute non-exempt continuing connected transactions of the Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to it under Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of such non-exempt continuing connected transactions on the basis that the annual transaction values shall not exceed the relevant proposed annual caps.

In addition, apart from the announcement, circular and independent shareholder approval requirements for which waivers have been sought, the Company will comply with the applicable requirements as set out in Chapter 14A of the Listing Rules in relation to such non-exempt continuing connected transactions, and will re-comply with relevant Listing Rules if the annual caps are exceeded, or when the relevant agreement is renewed or when there is a material change to the terms of the relevant agreement unless the Company applies for and obtain a separate waiver from the Stock Exchange.

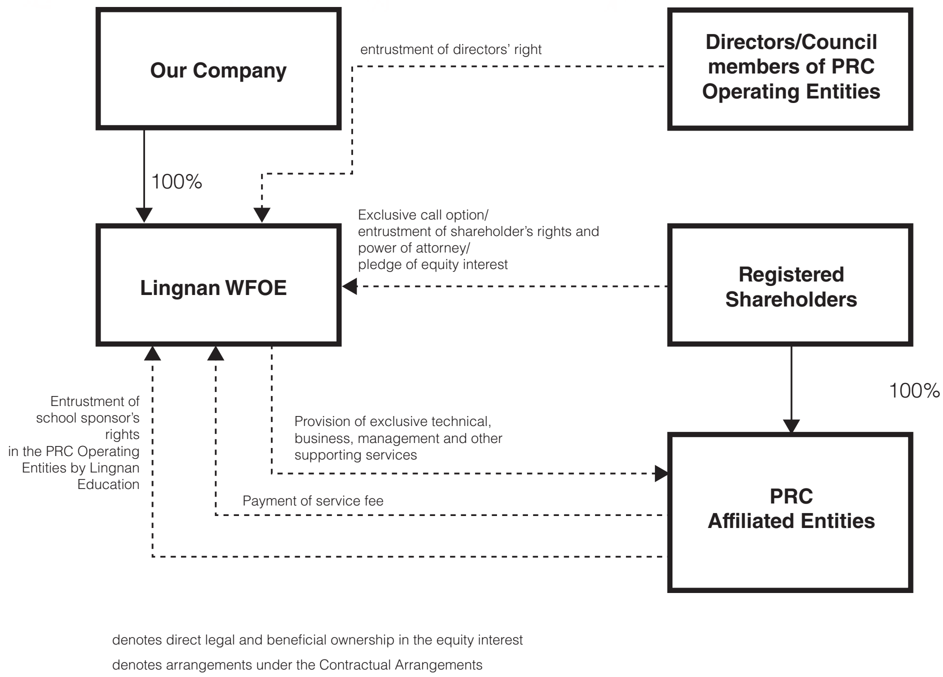
(3) Contractual Arrangements

(i) Background and overview

The Group currently conducts its education business through its PRC Affiliated Entities in the PRC as PRC laws and regulations generally restrict foreign ownership in the private education industry in the PRC. PRC laws and regulations and regulatory practice currently restrict the operation of higher education institutions to Sino-foreign cooperation, in addition to imposing qualification requirements on the foreign owners. The Company does not hold any equity interest in our PRC Affiliated Entities. The Contractual Arrangements, through which the Company obtains control over and derive the economic benefits from the PRC Affiliated Entities, have been narrowly tailored to achieve our business purpose and minimise the potential conflict with relevant PRC laws and regulations. The Group had entered into the Contractual Arrangements for the existing PRC Affiliated Entities and expect to enter into contractual arrangements for the schools to be newly established or invested in, the terms and conditions of which shall be the same as the existing Contractual Arrangements in all material aspects.

Due to regulatory restrictions on foreign ownership in Lingnan Institute of Technology and Lingnan Modern Technician College (together, the "**PRC Operating Entities**") in the PRC, Lingnan WFOE, the PRC Affiliated Entities (defined as the PRC Operating Entities and the School Sponsor), the Registered Shareholders and directors of the Group's schools have entered into the Contractual Arrangements such that the Group can conduct its business operations indirectly in the PRC through its PRC Affiliated Entities while minimizing the potential conflict with applicable PRC law and regulations. The Contractual Arrangements, as a whole, are designed to provide the Group with effective control over its PRC Affiliated Entities, to the extent permitted by PRC law and regulations, the right to acquire the equity interest in and/or the assets of its PRC Affiliated Entities after the Listing through Lingnan WFOE. The Group operates its education business through its PRC Affiliated Entities, which are ultimately beneficially owned as to 60% by Mr. He Huishan, 20% by Ms. He Huifen and 20% by Ms. He Huifang, each an executive Director and a Controlling Shareholder of the Company. The Company does not hold any direct equity interest in its PRC Affiliated Entities. As a result, the Contractual Arrangements were entered into on 21 November 2020 pursuant to which all material business activities of the PRC Affiliated Entities are instructed and supervised by the Group, through Lingnan WFOE, and all economic benefits arising from such business of the PRC Affiliated Entities are transferred to the Group to the extent permitted under the PRC laws and regulations by means of service fees payable by the PRC Affiliated Entities to Lingnan WFOE. Registered Shareholders are also parties to certain agreements which constitute the Contractual Arrangements to ensure that the Registered Shareholders' rights as shareholders of Lingnan Education are actually controlled by Lingnan WFOE.

The following simplified diagram illustrates the flow of economic benefits from the PRC Affiliated Entities to the Group stipulated under the Contractual Arrangements.



The Contractual Arrangements consist of a series of agreements, including the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreement, the School Sponsor's and Directors' Rights Entrustment Agreement, the School Sponsor's Powers of Attorney, the Directors' Powers of Attorney, the Shareholders' Rights Entrustment Agreement, the Shareholders' Powers of Attorney and the Spouse Undertakings (all defined as below), each of which is an integral part of the Contractual Arrangements.

The table below sets forth the connected persons of the Company involved in the Contractual Arrangements and the nature of their connection with the Group. The transactions contemplated under the Contractual Arrangements, as a whole, constitute continuing connected transactions of our Company under the Listing Rules upon the Listing.

Name	Connected Relationships
Mr. He Huishan	Mr. He Huishan is a Director, the chairman of the Board and a substantial shareholder, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Ms. He Huifen	Ms. He Huifen is a Director and a substantial shareholder, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Ms. He Huifang	Ms. He Huifang is a Director and a substantial shareholder, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.

The independent non-executive Directors has reviewed the Contractual Arrangements for the Reporting Period and confirm that for the Reporting Period that (i) the transactions carried out during the Reporting Period have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by the PRC Affiliated Entities has been substantially retained by the Group, (ii) no dividends or other distributions have been made by the PRC Affiliated Entities to the holders of its school sponsor's interest which are not otherwise subsequently assigned or transferred to the Group, and (iii) the Contractual Arrangements are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.

The Board has reviewed the overall performance of the Contractual Arrangements and believe that the Group complied with the Contractual Arrangements in all material respects since the Listing Date and up to the date of this report.

(II) Summary of the material terms of the Contractual Arrangements

The material terms of the Contractual Arrangements are summarised as follows:

(i) Business Cooperation Agreement

Pursuant to the business cooperation agreement (the "**Business Cooperation Agreement**") entered into by and among Lingnan WFOE, the PRC Affiliated Entities and the Registered Shareholders dated 21 November 2020, Lingnan WFOE shall provide technical services, management support and consulting services necessary for the private education business, and in return, the PRC Affiliated Entities shall make payments accordingly. To ensure the due performance of the Contractual Arrangements, each of the PRC Affiliated Entities agreed to comply with, and procure any of its subsidiaries to comply with, and the Registered Shareholders agreed to procure the PRC Affiliated Entities or their subsidiaries to comply with the obligations as prescribed under the Business Cooperation Agreement. In order to prevent the leakage of assets and values of the PRC Affiliated Entities, the Registered Shareholders and the PRC Affiliated Entities have undertaken that, without the prior written consent of Lingnan WFOE or its designated party, the Registered Shareholders and the PRC Affiliated Entities shall not conduct or cause to conduct any activity or transaction which may have any actual impact (i) on the assets, business, staff, obligations, rights or operations of the PRC Affiliated Entities or (ii) on the ability of the Registered Shareholders and each of the PRC Affiliated Entities to perform the obligations under the Contractual Arrangements.

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

(ii) Exclusive Technical Service and Management Consultancy Agreement

Pursuant to the exclusive technical service and management consultancy agreement (the "**Exclusive Technical Service and Management Consultancy Agreement**") entered into by and among Lingnan WFOE and the PRC Affiliated Entities dated 21 November

2020, Lingnan WFOE agreed to provide exclusive technical services and management consultancy services to the PRC Affiliated Entities. In consideration of the technical and management consultancy services provided by Lingnan WFOE, each of the PRC Affiliated Entities agreed to pay Lingnan WFOE a service fee equal to all of their respective amount of surplus from operations (after deducting all costs, taxes, and other fees to be reserved or deducted as required by the relevant PRC laws and regulations) which shall be determined by Lingnan WFOE with reference to factors including (i) complexity and difficulty of technologies involved in the services provided by Lingnan WFOE; (ii) resources invested and time spent by employees of Lingnan WFOE for the provision of relevant services; (iii) content and commercial value of the services provided; (iv) market price of services provided; and (v) business operation of the PRC Affiliated Entities as the service recipients.

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, unless otherwise prescribed under the PRC laws and regulations, Lingnan WFOE shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by Lingnan WFOE to the PRC Affiliated Entities, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Exclusive Technical Service and Management Consultancy Agreement and/or any other agreements entered into between Lingnan WFOE and other parties. To the extent prescribed under the PRC laws and regulations, the intellectual properties, which are restricted or prohibited from owning by Lingnan WFOE, shall be owned by the PRC Affiliated Entities until permissible under the PRC laws and regulations. The PRC Affiliated Entities shall transfer the aforesaid intellectual properties at the lowest consideration permissible under the PRC laws and regulations to Lingnan WFOE in addition to assist with the registration procedures.

Without the written consent of Lingnan WFOE, the PRC Affiliated Entities shall not make (i) any disposal of material assets and (ii) changes to the current ownership structure of the PRC Affiliated Entities. The PRC Affiliated Entities shall not enter into transactions, which may materially affect their assets, responsibilities, business operation, ownership structures, equity interest held by third parties and other legal rights, outside their ordinary course of business without the prior disclosure and written consent of Lingnan WFOE.

(iii) Exclusive Call Option Agreement

Pursuant to the exclusive call option agreement entered into by and among Lingnan WFOE, the PRC Affiliated Entities and the Registered Shareholders dated 21 November 2020 (the “**Exclusive Call Option Agreement**”, the Registered Shareholders have irrevocably granted Lingnan WFOE or its designated purchaser the right to purchase all or part of the school sponsor's direct or indirect interest of the School Sponsor in the PRC Operating Entities and direct or indirect equity interest in the School Sponsor ("**Equity Call Option**"). The purchase price payable by Lingnan WFOE in respect of the transfer of such school sponsor's interest or equity interest upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. Lingnan WFOE or its designated purchaser shall have the right to purchase such proportion of the school sponsor's interest in the PRC Operating Entities and/or equity interest in the School Sponsor as it decides at any time.

In the event that PRC laws and regulations allow Lingnan WFOE or other foreign-owned entities designated by the Company to directly hold all or part of the school sponsor's interest in the PRC Operating Entities and equity interest in the School Sponsor and operate private education business in the PRC, Lingnan WFOE shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of school sponsor's interest and/or equity interest purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by Lingnan WFOE or other foreign-owned entities designated by the Company under PRC laws and regulations.

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

Pursuant to the school sponsor's and directors' rights entrustment agreement entered into by and among Lingnan Education, Lingnan WOFE, the PRC Operating Entities and certain directors of the PRC Operating Entities dated 21 November 2020 (the "**School**

Sponsor's and Directors' Rights Entrustment Agreement"), the School Sponsor has irrevocably authorized and entrusted Lingnan WFOE to exercise all its rights as school sponsor of the PRC Operating Entities to the extent permitted by PRC laws, and three directors of the PRC Operating Entities (the "**Appointees**"), namely Mr. He Huishan, Ms. He Huifen and Ms. He Huifang, have irrevocably authorized and entrusted Lingnan WFOE to exercise all their rights as directors of the PRC Operating Entities to the extent permitted by PRC laws.

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

(v) School Sponsor's Powers of Attorney

Pursuant to the school sponsor's powers of attorney (the "**School Sponsor's Powers of Attorney**") executed by School Sponsor in favor of Lingnan WFOE dated 21 November 2020, the School Sponsor authorized and appointed Lingnan WFOE, the sole director of which is Ms. He Huifen, as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of the PRC Operating Entities.

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

(vi) Directors' Powers of Attorney

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favor of Lingnan WFOE dated 21 November 2020, each of the Appointees authorized and appointed Lingnan WFOE, the sole director of which is Ms. He Huifen, as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of the PRC Operating Entities.

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

(vii) Shareholders' Rights Entrustment Agreement

Pursuant to the shareholders' rights entrustment agreement (the "**Shareholders' Rights Entrustment Agreement**") entered into by and among the Registered Shareholders, Lingnan Education and Lingnan WFOE dated 21 November 2020, each of the Registered Shareholders has irrevocably authorized and entrusted Lingnan WFOE to exercise all of his/their respective rights as shareholders of the School Sponsor to the extent permitted by the PRC laws.

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

(viii) Shareholders' Powers of Attorney

Pursuant to the shareholders' powers of attorney (the "**Shareholders' Powers of Attorney**") executed by each of the Registered Shareholders in favor of Lingnan WFOE dated 21 November 2020, each of the Registered Shareholders authorized and appointed Lingnan WFOE, as agent to act on his behalf to exercise or delegate the exercise of all his rights as shareholders of the School Sponsor.

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

(ix) Spouse Undertakings

Pursuant to the spouse undertakings (the "**Spouse Undertakings**") entered into by the respective spouse of each of the Registered Shareholders, the respective spouse of each of the Registered Shareholders has irrevocably undertaken that, among others, (a) the spouse has full knowledge of and has consented to the entering into of the Contractual Arrangements by the respective Registered Shareholders, Lingnan WFOE and the PRC Affiliated Entities, and in particular, the arrangement as set out in the Contractual Arrangements in relation to the restrictions imposed on the direct or indirect equity interest in the School Sponsor and/or school sponsor's interest in the PRC Operating Entities, pledge or transfer the direct or indirect equity interest in the School Sponsor and/or school sponsor' interest in the PRC Operating Entities, or the disposal of the direct or indirect equity interest in the School Sponsor and/or school sponsor' interest in the PRC Operating Entities in any other forms; (b) the spouse has not participated, is not participating and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to the PRC Affiliated Entities; and (c) the spouse authorizes the respective Registered Shareholder or his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's direct or indirect equity interest in the School Sponsor and/or school sponsor' interest in the PRC Operating Entities in order to safeguard the interest of Lingnan WFOE under the Contractual Arrangements and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures.

The Spouse Undertakings shall have the same term as and incorporate the terms of the Business Cooperation Agreement.

(x) Equity Pledge Agreement

Pursuant to the equity pledge agreement (the "**Equity Pledge Agreement**") entered into by and among Lingnan WFOE, the PRC Affiliated Entities and the Registered Shareholders dated 21 November 2020, each of the Registered Shareholders unconditionally and irrevocably pledged and granted first priority security interests over all of his or its equity interest in Lingnan Education, accordingly, together with all related rights thereto to Lingnan WFOE as security for performance of the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Lingnan WFOE as a result of any event of default on the part of the Registered Shareholders and the PRC Affiliated Entities and all expenses incurred by Lingnan WFOE as a result of enforcement of the obligations of the Registered Shareholders and the PRC Affiliated Entities under the Contractual Arrangements (the "**Secured Indebtedness**").

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

Pursuant to the Equity Pledge Agreement, each party has undertaken that, if the registration authorities require to define the amount of the principal claim upon the pledge range in the equity pledge registration, the amount of claims under the Contractual Arrangements shall be registered as the principal, RMB30,000,000 and any other amount in the event of default and compensation under the Contractual Arrangements.

Upon the occurrence of an event of default as described in the agreenent, Lingnan WFOE shall have the right to enforce the Equity Pledge Agreement by written notice to the Registered Shareholders in one or more of ways specified in the agreement.

(III) Business Activities of the PRC Operating Entities

Lingnan Institute of Technology is a private vocational education institution that has two campuses, Guangzhou Campus, and Qingyuan Campus. Lingnan Modern Technician College is a private vocational education institution located in Guangzhou and provides vocational education and training in various industries for students.

(IV) Significance and Financial Contributions of the PRC Operating Entities to the Group

Pursuant to the Contractual Arrangements, the Group obtains control over and derives the economic benefits from the PRC Operating Entities. The table below sets out the financial contribution of the PRC Operating Entities to the Group:

	Significances and financial contribution to the Group		
	Revenue	**Net Profit**	**Total Assets**
	For the year ended 31 December 2021	**For the year ended 31 December 2021**	**As at 31 December 2021**
Significances and financial contribution to the Group	100.0%	107.7%	83.3%

(V) Revenue and assets involved in Contractual Arrangements

	Revenue RMB'000	**Total Assets RMB'000**
	For the year ended 31 December 2021	**As at 31 December 2021**
RPC Operating Entities	499,621	1,897,973

(VI) Regulatory Framework

Pursuant to the Negative List, the provision of higher education in the PRC falls within the "restricted" category. In particular, the Negative List explicitly restricts higher education to Sino-foreign cooperation, which means the foreign investor shall operate higher education in the PRC through cooperation with a PRC educational institution in compliance with the Sino-Foreign Regulation. In addition, the Negative List also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national; and (b) the representatives of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the "**Foreign Control Restriction**"). Lingnan Institute of Technology had fully complied with the Foreign Control Restriction on the basis that (a) the principals and the chief executive officers of the aforementioned school are all PRC nationals; and (b) all the members of the board of directors or council members of the aforementioned school are PRC nationals.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation, if the Group to apply for Lingnan Institute of Technology to be reorganized as a Sino-foreign joint venture private school for PRC students at a higher education institution (a "**Sino-Foreign Joint Venture Private School**"), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and that provides high quality education (the "**Qualification Requirement I**"). Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the "**Foreign Ownership Restriction**"). In addition, pursuant to the Sino-Foreign Regulation, the establishment of Sino-Foreign Joint Venture Private School is subject to approval of education authorities at the provincial or national level. Pursuant to the Sino-foreign Vocational Skills Training Measures (《中外合作職業技能培訓辦學管理辦法》), the foreign investor in a Sino foreign technical school (a "**Sino-Foreign Joint Venture Private Technical School**") must be a foreign education institution or a foreign vocational skills training institution with relevant qualification and high quality (the "**Qualification Requirement II**"). If the Group were to apply for Lingnan Modern Technician College to be reorganized as a Sino-Foreign Joint Venture Private Technical School for PRC students at a technical school, it shall abide by the Qualification Requirement II.

The PRC Legal Advisors confirmed that, according to the applicable PRC laws and regulations, schools with different foreign investment requirements/accessibility are categorized by their education levels (辦學層次), rather than the education programs (課程) they provide. In this regard, Lingnan Institute of Technology is a higher education school and the foreign investment in higher education falls within the "restricted" category pursuant to the

Negative List, while Lingnan Modern Technician College is a secondary vocational education school and foreign investment in secondary vocational education falls within the “permitted” category under the Negative List, regardless of the specific education programs these two schools may provide.

As of the date of this report, the Group has not encountered any interference or encumbrance from any governing bodies in its adoption of the Contractual Arrangements and the financial results of the PRC Affiliated Entities are combined to those of the Group.

(VII) Reasons for and Risks Associated with the Contractual Arrangements and the Actions Taken to Mitigate the Risks

(i) Reasons

Please refer to the subsection headed “(II) Summary of the material terms of the Contractual Arrangements” for the reasons for the Contractual Arrangements.

(ii) Risks

The PRC government may find that the Contractual Arrangements do not comply with applicable PRC laws and regulations, which may subject the Group to significant penalties and its business may be materially and adversely affected.

Significant uncertainties exist in relation to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability or sustainability of the Group’s current corporate structure, corporate governance and business operations.

The Contractual Arrangements may not be as effective in providing control over the PRC Affiliated Entities as direct ownership.

The Group has implemented measures to ensure that the company seals of the PRC Affiliated Entities are properly secured, are under the full control of the Company and cannot be used by Lingnan Education or the Registered Shareholders without the Company’s permission.

The owners of the PRC Affiliated Entities may have conflicts of interest with the Group, which may materially and adversely affect our business and financial condition.

The Group may not be able to satisfy the Qualification Requirement.

The Group's exercise of the option to acquire the school sponsor's interest in the PRC Operating Entities and equity interest in the School Sponsor may be subject to certain limitations and the Group may incur substantial costs and expend significant resources to enforce the option under the Contractual Arrangements.

The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional tax may be imposed, which may materially and adversely affect the Group's results of operation and value of the investment in the Shares of the Company.

Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

The Group relies on dividends and other payments from Lingnan WFOE to pay the dividends and make other cash distributions to the Shareholders.

The Group's ability to distribute dividends to the Shareholders may be limited under the PRC laws and regulations.

Substantial uncertainties exist regarding the interpretation and application of the decision of the Standing Committee of the National People's Congress on Amending the Private Schools Promotion Law of the PRC (《全國人民代表大會常務委員會關於修改<中華人民共和國民辦教育促進法>的決定》), which was promulgated on 7 November 2016 and came into force on 1 September 2017, including treatments of the schools in the PRC as non-profit schools or for-profit schools.

If any of the PRC Affiliated Entities becomes subject to winding up or liquidation proceedings, the Group may lose the ability to enjoy certain important assets, which could negatively impact its business and materially and adversely affect its ability to generate revenue.

(iii) Actions taken to mitigate the risks

The Company does not maintain any insurance policy to cover the risks relating to the Contractual Arrangements.

In order to mitigate the risks associated with the Contractual Arrangements, the Company has put in place effective internal controls over Lingnan Education and the PRC Operating Entities to safeguard its assets held through the Contractual Arrangements. As a wholly-owned subsidiary of the Company, Lingnan WFOE, is subject to all the internal control process and procedures applicable to the Group.

The operations of PRC Operating Entities are exclusively controlled by Lingnan WFOE through the Contractual Arrangements and the Group has applied its internal control processes and procedures to the PRC Operating Entities. In particular, pursuant to the Contractual Arrangements, (i) Lingnan WFOE has the right to appoint and/or elect directors or council members, supervisors of the PRC Operating Entities; and (ii) without the prior consent of Lingnan WFOE, the PRC Operating Entities are not allowed to dispose of any of their respective assets with a value of RMB5,000,000 or more.

(VIII) Material Changes

As of the date of this report, there were no material changes in the Contractual Arrangements and/or the circumstances under which the Contractual Arrangements were adopted.

(IX) Unwinding the Contractual Arrangements

As of the date of this report, there has not been any unwinding of any Contractual Arrangements, nor has there been any failure to unwind any Contractual Arrangements when the restrictions that led to the adoption of the Contractual Arrangements are removed.

In the event that PRC laws and regulations allow Lingnan WFOE or the Company to directly hold all or part of the School Sponsor's interest in the PRC Operating Entities and/or all or part of the equity interest in our School Sponsor and operate education business in the PRC, Lingnan WFOE shall exercise the Equity Call Option as soon as practicable and Lingnan WFOE or its designated party shall purchase such amount of equity interest or School Sponsor interest to the extent permissible under the PRC laws and regulations, and upon exercise in full of the Equity Call Option and the acquisition of all the equity interest and school sponsor's interest that the Registered Shareholders (directly and indirectly) hold in the School Sponsor and the PRC Operating Entities by Lingnan WFOE or another party designated by the Company pursuant to the terms of the Exclusive Call Option and Equity Interest Entrustment Agreement, each of the Contractual Arrangements shall be automatically terminated Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), Lingnan WFOE will exercise the relevant call option in full to unwind the Contractual Arrangements so that the Company will be able to directly operate the schools without using the Contractual Arrangements.

For details of the above Contractual Arrangements, please refer to the section headed "Contractual Arrangements" in the Prospectus.

Ernst & Young, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*" and with reference to Practice Note 740 (Revised) "*Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants.

After performing the procedures related to continuing connected transactions, Ernst & Young confirmed that:

a. nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;

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

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

d. with respect to the aggregate amount of the continuing connected transactions set out in note 31 to the consolidated financial statements, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

e. with respect to the disclosed continuing connected transactions with the PRC Affiliated Entities under the contractual arrangements, nothing has come to their attention that causes them to believe that dividends or other distributions have been made by the PRC Affiliated Entities to the holders of the equity interests of the PRC Affiliated Entities which are not otherwise subsequently assigned or transferred to the Group.

The Directors of the Company, including independent non-executive Directors, have reviewed and confirmed that the above continuing connected transactions were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; (iii) according to the relevant agreement (including the pricing principle and guidelines set out therein) governing them on terms that are fair and reasonable and in the interests the Shareholders as a whole; and (iv) the Company has complied with the pricing guidelines and has adopted internal control measures when determining the prices and terms of the transactions conducted during the period from the Listing Date and up to 31 December 2021 mentioned above. For the work carried out by the management of the Company to confirm: (a) whether the relevant transaction has been carried out in accordance with the pricing policy or mechanism under the framework agreement; and (b) whether the internal control procedures of the Company are sufficiently effective to ensure that the relevant transaction is carried out properly, please refer to "Risk Management and Internal Controls" on pages 95 to 97 of this report. Save for disclosed above, during the period from the Listing Date and up to 31 December 2021, the Group have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules.

PRINCIPAL RISKS AND RISK MANAGEMENT

The Board acknowledges its responsibility for the effectiveness of the internal control and risk management systems of the Group, which are designed to manage the risk of failure to achieve business objectives and provide reasonable assurance against material misstatement or loss.

The principal risks related to the Group are set forth as below:

Business Risk

The Group's business risks include: 1) timely upgrade of the Lingnan Institute of Technology from an associate college to a vocational university; 2) uncertainties on student enrollment and teachers hiring; 3) market recognition of the brand and reputation of each of the Group's schools; 4) the level of tuition fees and boarding fees the Group is able to charge and the Group's ability to maintain and raise tuition and boarding fees; and 5) the financial conditions and operating results of private formal vocational education industry. The Board is responsible for the overall management of the business and review of material business decisions involving material risks exposures from time to time.

Financial Risk

The Group adopts financial risk management policies to manage its foreign currency risk, credit risk and liquidity risk. The Board also reviews monthly management accounts, capital structure and key operating data of the Group.

Compliance Risk

The Board adopts procedures to ensure the Company is in compliance with the applicable laws, rules and regulations. The Company engages professional advisors and consultants to keep the Company abreast of the latest developments in the regulatory environment, including legal, financial, environmental and operational developments. The Company also adopts a strict policy in prohibiting any unauthorized use or dissemination of confidential or inside information.

Operational Risk

The Company adopts procedures to manage its operational risk such as inadequate management efficiency, inefficient student enrollment and teacher hiring, and interruption of business by the outbreak of COVID-19.

The Board has conducted a review of the effectiveness of the Group's internal control and risk management systems covering business, financial, compliance and operational risks of the Group and is satisfied that such systems are effective and adequate.

EMPLOYEES

As at 31 December 2021, the Group had 1,136 employees. The total amount of remuneration paid or payable to the employees of the Group amounted to approximately RMB192.0 million for the Reporting Period. Human resources are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees. The Group strives to motivate its employees with a clear career path and trainings for advancement and improvement of their skills. The Group has also adopted the Scheme to recognise and reward the contribution of the employees to the growth and development of the Group. The Group also emphasises employee trainings and career development, and invest in the education and training programs for its employees with the purpose of upgrading their knowledge on the latest trends and developments of the industry. Please refer to the below sub-section for the Group's remuneration policy for its employees.

REMUNERATION POLICY

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee periodically. Employees of the Group are remunerated based on their performance, experience and prevailing industry practices, with all compensation policies and packages reviewed on a regular basis. The Group also emphasises employee trainings and career development, and invest in the education and training programs for its employees with the purpose of upgrading their knowledge on the latest trends and developments of the industry. The remuneration of the Group's employees includes salaries and allowances. As required by the PRC laws and regulations, the Group participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance.

The Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics, decides the emoluments of the Directors. No Director, or any of his close associates, and executive, is involved in dealing with his own remuneration. Details of the renumeration of the Directors and the five highest paid individuals of the Group are set out in notes 8 and 9, respectively, to the consolidated financial statements.

The Company has adopted the Scheme to motivate and reward its Directors and eligible employees. Details of the Scheme are set out in the paragraph headed "Share Option Scheme" above.

None of the Directors waived or agreed to waive any emoluments throughout the year ended 31 December 2021. None of the Directors received any emolument from the Group as an inducement to join or upon joining the Group or compensation for loss of office during the year ended 31 December 2021.

Pension Scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme managed by the local municipal government. The subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group's contributions to the central pension scheme vest fully and immediately with the employees. Accordingly, there were no forfeited contributions under the central pension scheme which may be used by the Group to reduce its existing level of contributions during the Reporting Period, and there was no forfeited contribution available as at 31 December 2021.

Details of the pension scheme of the Group are set out in note 6 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the goods and services (as the case may be) provided by the Group to the five largest customers and purchases of goods and services (as the case may be) from our five largest suppliers accounted for less than 30% of the Group's revenue and cost of sales, respectively. The Group's customers primarily consist of students. The Group's suppliers primarily consist of publishing, furniture production/sales, planting and technology development service suppliers. None of the Directors or any of their associates or any Shareholders (which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had a material interest in our five largest customers and suppliers.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term goals. The Group maintains a good relationship with employees, customers and suppliers. During the Reporting Period, there were no material and significant dispute between the Group and its employees, customers and/or suppliers.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares of the Company.

ENVIRONMENTAL PROTECTION

The Group is committed to promoting a compliance culture and has adopted policies and procedures on various compliance matters, including the Stock Exchange's requirements on corporate governance and environmental, social and governance matters. The Group aims to improve and optimize its environmental, social and governance ("**ESG**") strategies to create an efficient and diversified development environment. The Board is collectively responsible for establishing, adopting and reviewing the ESG vision and targets of the Group, identifying key performance indicators ("**KPIs**") and the relevant measurements and evaluating, determining and addressing its ESG related risks in accordance with Appendix 27 to the Listing Rules. The Directors will be involved in the formulation of the mechanisms and the related policies. The Group will assess and evaluate the ESG related risks and review its existing strategy, targets and internal control measures on an ongoing basis. Where necessary, the Group will implement improvement to mitigate these risks.

The Group is a private formal vocational education service provider and the Group identifies its ESG-related KPIs to include energy conservation and emissions reduction. For energy conservation, the metrics the Group uses generally include energy consumption, water consumption, electricity consumption, natural gas consumption and gasoline consumption. For emissions reduction, the metrics the Group uses mainly include emissions, greenhouse gas emissions, discharge of hazardous wastes and recycled harmless waste. The Group will use these KPIs to evaluate the ESG results of the Group annually in order to ensure that they have met the Group's requirements and to make corrective actions when necessary. The Group pays close attention to the impact on the operating environment and society.

Further details of the Group's policies and performance on environmental protection will be disclosed in the ESG report of the Company for the Reporting Period to be published in due course.

COMPLIANCE WITH LAWS AND REGULATIONS

Throughout the period from the Listing Date and up to the date of this report, the Group has complied with the relevant laws and regulations that have a significant impact on the Company.

QUALIFICATION REQUIREMENTS

Please refer to the section headed "Contractual Arrangements – PRC Laws and Regulation relating to Foreign Ownership in the Education Industry – Higher Education and Secondary Vocational Education" of the Prospectus in relation to the Sino-foreign cooperation requirement under the Negative List for the provision of higher education in the PRC where the foreign investor shall operate higher education in the PRC through cooperation with a PRC educational institution in compliance with the Sino-Foreign Regulation.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation, if the Group were to apply for Lingnan Institute of Technology to be reorganized as a Sino-foreign joint venture private school for PRC students at a higher education institution (a "**Sino-Foreign Joint Venture Private School**"), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and that provides high quality education (the "**Qualification Requirement I**"). Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the "**Foreign Ownership Restriction**"). In addition, pursuant to the Sino-Foreign Regulation, the establishment of Sino-Foreign Joint Venture Private School is subject to approval of education authorities at the provincial or national level. Pursuant to the Sino-foreign Vocational Skills Training Measures (《中外合作職業技能培訓辦學管理辦法》), the foreign investor in a Sino foreign technical school (a "**Sino-Foreign Joint Venture Private Technical School**") must be a foreign education institution or a foreign vocational skills training institution with relevant qualification and high quality (the "**Qualification Requirement II**"). If the Group were to apply for Lingnan Modern Technician College to be reorganized as a Sino-Foreign Joint Venture Private Technical School for PRC students at a technical school, it shall abide by the Qualification Requirement II.

As advised by the Company's PRC legal advisors, there was no update on any implementing measures or specific guidance being promulgated pursuant to the Sino-Foreign Regulation to provide quantitative or specific standards on the Qualification Requirement I and/or Qualification Requirement II in Guangdong Province since the Listing Date and up to the date of this report.

Please also refer to the section headed "Contractual Arrangements – PRC Laws and Regulation relating to Foreign Ownership in the Education Industry – Plan to Comply with the Qualification Requirement" in the Prospectus for further details on the Group's efforts and actions undertaken to comply with the Qualification Requirement I and/or Qualification Requirement II. As of the date of this report, the Group is still waiting for approval from the California Bureau for Private Postsecondary Education to establish the new school in the State of California, the United States.

FOREIGN INVESTMENT LAW

Please refer to the section headed "Contractual Arrangements – Development In The PRC Legislation On Foreign Investment" of the Prospectus for the background of the Foreign Investment Law (外商投資法實施條例) and the impact and potential consequences of the Foreign Investment Law and its implementation regulations on the Group's contractual arrangements. As advised by the Company's PRC legal advisors, neither was there any change on the compliance status of the Group's contractual arrangements with the Foreign Investment Law as described in the Prospectus, nor was there any update on regulatory development in relation to the Foreign Investment Law since the Listing Date and up to the date of this report.

SIGNIFICANT LEGAL PROCEEDINGS

During the period from the Listing Date and up to 31 December 2021, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders. The Company has adopted corporate governance practices based on the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Listing Rules as its own code of corporate governance practices. Save as otherwise disclosed in the Corporate Governance Report, during the period from the Listing Date up to the end of the Reporting Period, the Company has complied with all code provisions of the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct governing Directors' securities transactions. The Company confirms that, having made specific enquiries of all the Directors, each of them has complied with the required standard as set out in the Model Code for the period from the Listing Date up to 31 December 2021.

AUDITOR

The accompanying consolidated financial statements of the Group for the year ended 31 December 2021 had been audited by Ernst & Young, who will retire and being eligible, offer themselves for reappointment as auditor at the forthcoming annual general meeting of the Company. The Company has not changed its external auditor since its Listing and up to the date of this report.

REVIEW OF THE FINANCIAL STATEMENTS

The audit committee of the Company has reviewed, together with the management, the accounting principles and policies adopted by the Group, and discussed, among other things, auditing and financial reporting matters including a review of the consolidated results of the Group for the year ended 31 December 2021.

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

Other than pursuant to the Global Offering, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the period from the Listing Date and up to 31 December 2021.

PROPERTIES HELD FOR DEVELOPMENT AND/OR SALE OR FOR INVESTMENT PURPOSES

Save as disclosed in the section headed "Connected Transaction" in this Report of Directors, the Company did not hold any material properties for development and/or sale or for investment purposes during the period from the Listing Date and up to the end of the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

The Company did not have any events that should be brought to the attention of the Shareholders from the end of the Reporting Period and up to the date of this report.

PROPOSED DISTRIBUTION OF FINAL DIVIDEND

The Board has proposed to declare a final dividend of HK5.6 cents per share for the year ended 31 December 2021. The final dividend will be declared and paid in Hong Kong dollars. The final dividend will be paid on 23 June 2022 to the Shareholders whose names appear on the register of members of the Company on 2 June 2022. The payment of the final dividend is subject to Shareholders' approval at the annual general meeting ("**AGM**") of the Company to be held on 26 May 2022.

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, 26 May 2022. Shareholders should refer to the circular of the Company, the notice of AGM and the form of proxy to be published and dispatched by the Company for details regarding the AGM.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining who is entitled to attend the AGM, the register of members of the Company will be closed from Monday, 23 May 2022 to Thursday, 26 May 2022, both days inclusive, during which period no share transfers can be registered. In order to be eligible for attending and voting at the AGM, all transfer instruments accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Friday, 20 May 2022.

In addition, for the purpose of determining the Shareholder's entitlement to the proposed final dividend of the Company, the register of members of the Company will be closed by the Group from Wednesday, 1 June 2022 to Thursday, 2 June 2022, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be qualified for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Group's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 31 May 2022.

On behalf of the Board
Mr. He Huishan
Chairman

30 March 2022

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders. The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance practices. Save as otherwise disclosed in this Corporate Governance Report, during the period from the Listing Date up to the end of the Reporting Period, the Company has complied with all code provisions of the CG Code.

BOARD OF DIRECTORS

The overall management of the Company's operation is vested in the Board.

The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems, and monitoring of the performance of the senior management. The Directors have to make decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

As at 31 December 2021 and the date of this annual report, the Board comprises seven Directors, consisting of four executive Directors, Mr. He Huishan (the Chairman of the Board), Ms. He Huifen (chief executive officer of the Group), Mr. He Huifang and Mr. Lao Hansheng, and three independent non-executive Directors, Mr. Luo Pan, Mr. Yeh Zhe-Wei, and Mr. Ma Shuchao. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Biographical information of the Directors is set out in the section headed "Directors and Senior Management" of this report.

In compliance with Code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer are separate and performed by Mr. He Huishan and Ms. He Huifen, respectively.

Mr. He Huishan is the brother of Ms. He Huifen and Ms. He Huifang, both executive Directors and Controlling Shareholders, and the spouse of Ms. Zhou Lanqing, a Controlling Shareholder. Save as otherwise disclosed in this report, to the best knowledge of the Company, there is no other financial, business, family or other material/relevant relationship among the members of the Board.

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three independent non-executive Directors. In addition, at least one independent non-executive Director possesses appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed three independent non-executive Directors representing more than one-third of the Board and is in compliance with Rule 3.10A of the Listing Rules.

Corporate Governance Function

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of directors and senior management. The Board also reviews the disclosures in the corporate governance report to ensure compliance. The Board's responsibility in this regard includes:

(a) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;

(d) to develop and review the Company's policies and practices on corporate governance;

(e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report; and

(f) to review and monitor the Company's compliance with the Company's whistleblowing policy.

During the Reporting Period, the Board has reviewed the Company's corporate governance practices and the Company's compliance with the CG Code (save for code provision C.5.1 and code provision D.3.3(e)(i) of the CG Code) and disclosure in the corporate governance report.

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board and to maintain the highest standards of corporate governance and recognises and embraces the benefits of diversity in the Board. The Company should endeavor to ensure that the Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of the Group's business strategy. Pursuant to the Board Diversity Policy, the Group seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, gender, age, cultural, education background and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board. The Board believes that such merit-based appointments will best enable the Company to serve the Shareholders and other stakeholders going forward.

The Board comprises seven members, including four executive Directors and three independent non-executive Directors. The Directors have a balanced mix of knowledge and skills, including knowledge and experiences in the areas of management and strategic development, finance and accounting and legal and compliance in addition to education business. They obtained degrees in various majors including business administration, accounting and law. Furthermore, the Board has a wide range of age, ranging from 41 years old to 68 years old. The Group has also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and the management levels. In particular, two of the Group's four executive Directors are female. After due consideration, the Board believes that based on its existing business model and meritocracy of the Directors, its composition satisfies the principles under the Board Diversity Policy.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Group's nomination committee (the "**Nomination Committee**") is responsible for ensuring the diversity of the Board. The Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and the Group will disclose the implementation of the board diversity policy in our corporate governance report on an annual basis. At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

Considering that the current Board consists of seven Directors where two of them are female executive Directors, the Board is of the view that gender diversity has been achieved by its current Board composition, therefore it does not set any numerical targets and timelines for achieving further gender diversity on its board, nor do any measures have been adopted to develop a pipeline of potential successors to achieve gender diversity.

The Company also aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at the work force levels (including senior management) are appropriately structured so that a diverse range of candidates are considered. As at 31 December 2021, female staffs accounted for approximately 60.0% of the total work force. The Board therefore considers that gender diversity has been achieved at the work force levels (including senior management), and thus has not set any plans or measurable objectives for achieving gender diversity and there are no mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

Board Nomination Policy

One of the primary functions of the Nomination Committee is to make recommendations to the Board regarding candidates to fill vacancies on the Board. The Company has adopted a director nomination policy (the "**Director Nomination Policy**") which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level. The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company

Model Code

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding directors' securities transactions for the period from the Listing Date up to 31 December 2021.

Independent Non-Executive Directors

Independent non-executive Directors have played a significant role in the Board by bringing their independent judgment at the Board meeting and scrutinizing the Group's performance. Their views carry significant weight in the Board's decision, in particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advices to the Board. The independent non-executive Directors provide independent advice on the Group's business strategy, results and management so that all interests of Shareholders can be taken into account, and the interests of the Company and its Shareholders can be protected.

The Board has three independent non-executive Directors with one of them, Mr. Luo Pan, possessing appropriate professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rule 3.10(2) of the Listing Rules.

The Company has received annual confirmations of independence from each of the existing independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all the independent non-executive Directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company. The Directors have been informed of the requirement under code provision C.1.4 of the CG Code (previous known as code provision A.6.5 prior to 1 January 2022) regarding continuous professional development. According to the records maintained by the Company, the current Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the CG Code on continuous professional development for the Reporting Period:

Name of Director	Corporate Governance/ Updates on Laws, Rules and Regulations		Accounting/Financial/ Management or Other Professional Skills	
	Read materials	Attend Seminars/ Briefings*	Read materials	Attend Seminars/ Briefings
Executive Directors				
Mr. He Huishan	✓	–	✓	✓
Ms. He Huifen	✓	–	✓	✓
Ms. He Huifang	✓	–	✓	✓
Mr. Lao Hansheng	✓	–	✓	✓
Independent non-executive Directors				
Mr. Luo Pan	✓	–	✓	✓
Mr. Yeh Zhe-Wei	✓	–	✓	✓
Mr. Ma Shuchao	✓	–	✓	✓

* As the Company was listed on the main board of the Stock Exchange on 13 July 2021, and a directors' training covering corporate governance, Listing Rules and other listing related regulations were conducted in November 2020, the Company does not consider it necessary to hold related seminars again for the Directors during the Reporting Period. The Company will arrange its legal advisor to provide relevant seminars in the next year.

Directors' and Officers' Liabilities Insurance

The Company has arranged appropriate insurance cover for the directors' and officers' liabilities including potential legal actions against its Directors, officers and senior management.

Directors' Attendance Records

During the period from the Listing Date and up to 31 December 2021, one Board meeting was held. The attendance of each Director is set out in the table below:

Name of Director	Attendance/ Number of Board Meeting(s)	Attendance/ Number of General Meeting(s)
Executive Directors		
Mr. He Huishan	1/1	N/A
Ms. He Huifen	1/1	N/A
Ms. He Huifang	1/1	N/A
Mr. Lao Hansheng	1/1	N/A
Independent non-executive Directors		
Mr. Luo Pan	1/1	N/A
Mr. Yeh Zhe-Wei	1/1	N/A
Mr. Ma Shuchao	1/1	N/A

Due to the fact that the Shares were listed on the Stock Exchange on 13 July 2021, no general meeting had been held during the period from the Listing Date and up to 31 December 2021. For the same reason, the Company deviated from the requirements under code provision C.5.1 of the CG Code where one board meeting was held during the period from the Listing Date and up to 31 December 2021. Going forward, the Board will make sure that at least four times of board meeting are held a year at approximately quarterly intervals as required under code provision C.5.1 of the CG Code. Apart from regular Board meetings, the chairman also held one meeting with the independent non-executive Directors without the presence of other Directors on 30 August 2021. All the relevant Directors attended this meeting.

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management and the joint company secretaries of the Company at all time and may seek independent professional advice at the Company's expense. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Notices of at least 14 days of Board meetings are given to the Directors and Board procedures comply with the Articles of Association, as well as relevant rules and regulations.

Appointments, Re-election and removal of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors.

Each of Mr. He Huishan, Ms. He Huifen, Ms. He Huifang and Mr. Lao Hansheng, being the executive Directors of the Company has entered into a service contract with the Company for an initial fixed term of three years commencing from the Listing Date and shall be automatically renewed for another three years thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

Each of Mr. Luo Pan, Mr. Yeh Zhe-Wei and Mr. Ma Shuchao, being the independent non-executive Directors of the Company, has entered into an appointment letter with the Company for an initial fixed term of one year commencing from the Listing Date, and shall be automatically renewed for another year thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term.

The above service contracts and appointment letters are subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the Articles of Association.

The Articles of Association provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

According to article 84 of the Articles of Association and code provision B.2.2 of the CG Code (previously known as code provision A.4.2 of the CG Code prior to 1 January 2022), Ms. He Huifen, Ms. He Huifang and Mr. Luo Pan shall retire at the AGM to be held on 26 May 2022. Ms. He Huifen, Ms. He Huifang and Mr. Luo Pan, being eligible, will offer themselves for re-election as Directors at the same AGM.

Board Committees

The Board has established (i) Audit Committee, (ii) Remuneration Committee; and (iii) Nomination Committee, with defined terms of reference. The terms of reference of the board committees which explain their respective role and the authority delegated to them by the Board are available on the website of the Company at www.scvedugroup.com and the website of the Stock Exchange at www.hkexnews.hk. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

The majority of the members of the Audit Committee, the Remuneration Committee and the Nomination Committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 4 of this report.

Audit Committee

The Company established an audit committee (the "**Audit Committee**") pursuant to a resolution of the Directors passed on 23 June 2021. The primary duties of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditor, and to assist the Board in fulfilling its oversight responsibilities in relation to our Group's financial reporting, internal control structure, risk management processes and external audit functions, and corporate governance responsibilities. Their composition and written terms of reference are in line with the CG Code. The Audit Committee comprises of three members, namely, three independent non-executive Directors, Mr. Luo Pan, Mr. Yeh Zhe-Wei and Mr. Ma Shuchao, with Mr. Luo Pan being the chairman of the Audit Committee.

The Group's unaudited interim results for the six months ended 30 June 2021, and the audited annual results for the year ended 31 December 2021 have been reviewed by the Audit Committee, which was of the opinion that the preparation of the relevant financial statements complied with the applicable accounting standards and requirements and that adequate disclosure has been made. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group, and selection and appointment of the external auditor. In addition, the Audit Committee reviewed the unaudited quarterly financials and the internal control of the Group and oversaw the risk management and internal control systems of the Group throughout the period from the Listing Date and up to 31 December 2021.

Due to the fact that the Shares were listed on the Stock Exchange on 13 July 2021, the Company deviated from the requirements under code provision D3.3(e)(i) where the Audit Committee met with the external auditor of Company for one time during the period from the Listing Date and up to the end of the Reporting Period. From the year 2022 onwards, the Company will make sure that the Audit Committee will meet with its external auditor at least twice a year as required under code provision D3.3(e)(i) of the CG Code.

Since the Listing Date and up to 31 December 2021, one meeting was held by the Audit Committee. The individual record of each member of the Audit Committee at the meetings of the Audit Committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting(s)
Mr. Luo Pan	1/1
Mr. Yeh Zhe-Wei	1/1
Mr. Luo Pan	1/1

Remuneration Committee

The Company established a Remuneration Committee on 23 June 2021 with written terms of reference. The primary duties of the Remuneration Committee are to evaluate and make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group as well as their specific remuneration packages, review performance based remuneration and ensure none of the Directors determine their own remuneration. Their composition and written terms of reference are in line with the CG Code. The Remuneration Committee comprises of two independent non-executive Directors, namely, Mr. Yeh Zhe-Wei and Mr. Luo Pan and one executive Director, Mr. Lao Hansheng, with Mr. Yeh Zhe-Wei being the chairman of the Remuneration Committee.

Since the Listing Date and up to 31 December 2021, the Remuneration Committee (i) assessed the performance of the Directors and senior management and (ii) reviewed their remuneration packages.

The remuneration of the members of the senior management (including all executive Directors) of the Group by band for the year ended 31 December 2021 is set out below:

Remuneration bands	Number of persons
Nil to RMB1,000,000	3
RMB1,000,001 to RMB2,000,000	2

Since the Listing Date and up to 31 December 2021, one meeting was held by the Remuneration Committee. The individual record of each member of the Remuneration Committee at the meeting of the Remuneration Committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting(s)
Mr. Yeh Zhe-Wei	1/1
Mr. Luo Pan	1/1
Mr. Lao Hansheng	1/1

Nomination Committee

The Company established a Nomination Committee on 23 June 2021 with written terms of reference. The primary functions of the Nomination Committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and to review the Board Diversity Policy. In identifying suitable director candidates and making such recommendations to the Board, the Nomination Committee would also take into account various aspects of a candidate, including but not limited to his/her education background, professional experience, experience with the relevant industry and past directorships. Their composition and written terms of reference are in line with the CG Code. The Nomination Committee comprises of two independent non-executive Directors, namely, Mr. Yeh Zhe-Wei and Mr. Luo Pan and one executive Director, Mr. He Huishan with Mr. He Huishan, being the chairman of the Nomination Committee.

The Nomination Committee reviewed the structure, size and composition of the Board, during the year of 2021.

Since the Listing Date and up to 31 December 2021, one meeting was held by the Nomination Committee. The individual record of each member of the Nomination Committee at the meeting of the Nomination Committee is set out below:

Name of Director	Attendance/ Number of Committee Meeting(s)
Mr. He Huishan	1/1
Mr. Yeh Zhe-Wei	1/1
Mr. Luo Pan	1/1

Joint Company Secretaries

Mr. Wang Tao and Ms. Lau Jeanie were appointed as the joint company secretaries of the Company on 19 November 2020 and 28 May 2021 respectively. Mr. Wang is the primary contact of Ms. Lau in the Company. Both Mr. Wang and Ms. Lau's biography details are set out in the section headed "Directors and Senior Management" in this report.

Each of Mr. Wang and Ms. Lau has been informed of the requirement of the Rule 3.29 of the Listing Rules. Each of them has informed the Company that he/she took approximately 20 hours of training covering corporate governance and accounting matters during the Reporting Period. The Company considers that the training of the joint company secretaries are in compliance with the requirements under Rule 3.29 of the Listing Rules.

FINANCIAL REPORTING

The Board, supported by the chief financial officer and the finance department, is responsible for the preparation of the consolidated financial statements of the Company and the Group which shall give a true and fair view of the financial position, performance and cash flow of the Company and its subsidiaries for the Reporting Period. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The responsibilities of Ernst & Young, the Company's external auditor, on the consolidated financial statements are set out in the section headed "Independent Auditor's Report" in this report.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the independent auditor of the Company about its reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 106 to 107 of this report. The external auditor of the Company shall attend the AGM to be held on 26 May 2022 to answer questions about the conduct of the audit, the preparation and content of the auditor's report and auditor independence. The remuneration paid or payable to the Company's external auditor in respect of audit services for the year ended 31 December 2021 amounted to approximately RMB2.7 million while no remuneration was paid or payable to the Company's external auditor in respect of non-audit services for the same period. The Audit Committee recommended to the Board that, subject to our shareholders' approval at the forthcoming AGM (to be held on 26 May 2022), Ernst & Young be re-appointed as the external auditor of the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Group's risk management and internal control systems are featured with a defined management structure with limits of authority and well-rounded policies and procedures, and are designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks, and to safeguard assets of the Group. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board also recognises its overall responsibility for the Group's risk management and internal control systems and reviews their effectiveness on an ongoing basis. In addition, the Audit Committee assists the Board in reviewing and assessing the Group's risk management and internal control systems. Throughout the period from the Listing Date to 31 December 2021, the Company has adopted the following policies and procedures and taken the following measures to improve the risk management and internal control systems of the Group.

In order to ensure the effectiveness of our risk management and internal control system, the Company has established various management and control procedures for identifying, evaluating, and managing the significant risks associated with the achievement of its operational objectives. The Company has completed the risk management and internal control procedures with scientific analysis and assessment, to recognise potential risk points. By virtue of such risk management and internal control procedures, the senior management of the Group reviews and evaluates the internal control process, monitors any risk factors on a regular basis, and reports to the Board on any findings and measures taken to address such variances and identified risks. The Board, with the assistance of the senior management of the Company, also conducts regular management meetings and on-site inspections to check and monitor the potential risks associated with the business operation and financial management of the Group.

With the integration of the real situation of the Company and various applicable laws and regulations, the management of the Company can act in concert with such to develop solutions towards the risks, to organize the business operation systematically, and to monitor and mitigate possible risks. The Company also distributed staff handbooks which included the compliance requirements to our employees so as to internally require all staff of the Group to comply with these internal risk management and internal control standards, and together build a regulatory environment of risk control and standardized operation. In addition, the Company has also established policies and procedures with clear segregation of duties applicable to certain operating units to ensure the effectiveness of risk management and internal controls. The day-to-day operation is also entrusted to the individual department, which is accountable for its own conduct and performance, and is required to strictly adhere to the policies set by the Board or the Audit Committee. This process was in place throughout the period from the Listing Date to 31 December 2021 and is subject to continuous improvement.

With the assistance of the professional auditor, the Audit Committee supervised the Company's revenue and expenditure for the financial and economic activities, to further strengthen the functions of risk management, to ensure the effective implementation of risk management and internal control system and the Company's standardized operation and healthy development. In order to comply with the relevant requirements under the CG Code in relation to the corporate risk management and internal controls, the Company has established an internal audit department for the purposes of simultaneous updates between the corporate governance and the CG Code and continuously improving the effectiveness of the Company's risk management and internal controls.

The Group regulates the handling and dissemination of inside information according to the "Guidelines on Disclosure of Inside Information" published by the Securities and Future Commission in June 2012 to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made. The Company regularly reminds the Directors and employees about due compliance with all policies regarding the inside information. Also, the Company keeps Directors, senior management and employees appraised of the latest regulatory updates. The Company shall prepare or update appropriate guidelines or policies to ensure the compliance with regulatory requirements.

Since the Listing Date and up to 31 December 2021, the Company provided inside information training course and self-study materials to the Directors and senior management of the Company to ensure that all relevant facts and circumstances that may have material effect on the share price of the Company is assessed in a timely manner and that any material information which comes to the knowledge of any one or more officers of the Group be promptly identified, assessed and, if appropriate, escalated for the attention of the Board to determine whether a disclosure is required.

The Board acknowledges its responsibility to ensure that sound and effective internal control systems are maintained so as to safeguard the Group's assets and the interest of Shareholders. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company.

The management and the internal audit department have confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the period from the Listing Date and up to 31 December 2021.

Since the Listing Date and up to 31 December 2021, the Board, with the assistance of the Audit Committee and management team, has conducted reviews of the risk management and internal control systems of the Company twice and considered the risk management and internal control systems of the Company are adequate and being implemented effectively. Such review covered all material controls, financial, compliance and operational controls as well as risk management mechanisms.

The Board, with the assistance of the Audit Committee, has also reviewed and was satisfied with the adequacy of the Company's resources, the staff's qualifications and experience, the training courses and the related budgets in accounting, internal audit and financial reporting functions, and considered them effective and sufficient.

The Board believes that there are no material internal controls deficiencies that may affect the Shareholders and an effective and adequate risk management and internal control system is in place to safeguard the assets of the Group. The Group will continue to enhance the system to cope with the changes in the business environment.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene an extraordinary general meeting and putting forward proposals at shareholders' meeting

Pursuant to Article 58 of the articles of association of the Company, any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the joint company secretaries of the Company by mail at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (2013 Revision) or the Articles of Association. However, shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an extraordinary general meeting following the procedures set out above. As regards the procedures for Shareholders to propose a person for election as a director, they are available on the Company's website at www.scvedugroup.com.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the joint company secretaries of the Company by mail at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong or by email at SPRG_SCVE@sprg.com.hk. The joint company secretaries of the Company are responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

Constitutional documents

Save for the adoption of the Memorandum and Articles of Association for the purpose of the Listing, there had been no significant change in the Company's constitutional documents throughout the Reporting Period.

Communications with Shareholders

The Board recognises the importance of maintaining clear, timely and effective communication with Shareholders of the Company and investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the shareholders of the Company receiving accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, announcements and circular. The Company also publishes all corporate correspondence on the Company's website www.scvedugroup.com. The Board maintains regular dialogues with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. Members of the Board and of the various board committees will attend the annual general meeting of the Company and answer questions raised during the meeting. Separate resolutions would be proposed at the general meeting on each substantially separate issue.

The chairman of the general meetings of the Company would explain the procedures for conducting poll before putting a resolution to vote. The results of the voting by poll will be published on the websites of the Stock Exchange and the Company respectively.

On 23 June 2021, the Company has made certain changes to the Articles of Association for the purpose of the Listing. A latest version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

To promote effective communication, the Company maintains a website at www.scvedugroup.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

By reviewing the Shareholders' communication channels as explained above, the Board is of view that the Shareholders' communication policy adopted by the Company has been effectively implemented during the Reporting Period.

PUBLICATION OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report of the Company for the year ended 31 December 2021 will be published on or before 31 May 2022 and will be available on both the website of the Stock Exchange and the website of the Company.

GOING CONCERN

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

EY 安永

To the shareholders of South China Vocational Education Group Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of South China Vocational Education Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 108 to 212, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Income tax	
As set out in note 10 to the consolidated financial statements, pursuant to the 2016 Decision (as defined in note 10 to the consolidated financial statements), private schools are no longer being classified as either schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns. Instead, the school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that schools providing nine-year compulsory education must be non-profit. Pursuant to the 2016 Decision and the 2021 Implementation Rules (as defined in note 10 to the consolidated financial statements), a private school may enjoy the preferential tax policies, which are not defined under neither the 2016 Decision nor the 2021 Implementation Rules, as stipulated by the related government authorities and a non-profit school may enjoy the same tax policies as enjoyed by a public school.	We performed the following procedures: • discussed with management to evaluate their interpretation of the tax laws and their assessment of the tax obligations of the PRC Schools for the current year; • evaluated management's assessment on the application of preferential tax or applicable tax rate to the PRC Schools; • discussed with the Group's external PRC legal advisors to understand their view with respect to the interpretation of the existing applicable laws which would have an impact on the applicable tax on the PRC Schools;

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Income tax (continued)	
As at the date of this report, the Group's schools in the People's Republic of China (the "PRC Schools") have not yet registered as for-profit private schools or non-profit private schools and remain as private non-enterprise units. In accordance with the tax compliance confirmations obtained from the local tax authorities and the Group's external legal advisor's comments on the preferential tax treatments for the current year, the PRC Schools treated their academic education income as non-taxable income and did not pay corporate income tax for the academic education income during the year. In the event the PRC Schools elect to register as for-profit private schools, the PRC Schools may be subject to corporate income tax at a rate of 25% in respect of service fees they receive from the provision of academic educational services going forward, if they do not enjoy any preferential tax treatment. There were significant judgements involved in management's analysis and assessment, such as the assessment on the possible outcome of the tax provision based on historical experiences and interpretation of the relevant tax laws and regulations in respect of the preferential tax treatments enjoyed by the PRC Schools. Relevant disclosures are included in notes 3 and 10 to the consolidated financial statements.	• obtained the Group's external PRC legal advisor's comments on the tax obligations applied onto the PRC Schools, in particular, whether or not the PRC Schools were required by their respective tax authorities to pay income tax by the year end and whether the PRC Schools which enjoyed such preferential tax treatments were in compliance with the applicable laws and regulations in China; • examined the historical tax returns filed to the relevant tax authorities and the tax compliance confirmations obtained, where appropriate; • assessed any new policies, regulations or rules that have been introduced by the authorities up to the date of this report, which might have an impact on the tax position of the PRC Schools; • involved our internal tax experts to assist us in analysing the preferential tax treatments enjoyed by the PRC Schools and assessing the adequacy of tax provisions; and • evaluated the adequacy of the Group's disclosures regarding income tax.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
Revenue mainly comprises the tuition fees and boarding fees from students, and these fees are collected through the official payment channels at the beginning of each academic year. Students' identity and the applicable program are registered with the relevant education authorities. Tuition and boarding fees are calculated by reference to the number of students and the annual fee of the applicable program for the academic year, and are recognised proportionately over the relevant period of the applicable program. The portion of tuition and boarding fees received from students but not earned is recorded as contract liabilities. Given the significant amount and volume of transactions and the risk of overstatement of revenue, we considered this as a key audit matter.	We performed the following procedures: • gained an understanding of the basis of revenue recognition and the overall process of transactions relating to revenue and evaluated the effectiveness of the controls designed and applied by the Group over the collection of tuition and boarding fees and the controls over the calculation of the contract liabilities and the corresponding amount of revenue; • performed analytical review to evaluate the revenue recognised regarding the tuition fees and boarding fees;

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
The accounting policy for revenue recognition and disclosures of the amount of revenue are included in notes 2.4 and 5 to the consolidated financial statements.	• on a sampling basis, examined the relevant supporting documentation of tuition and boarding fees including students' registration forms, payment records, official student records registered with the relevant PRC education authorities, and the payment remittance receipts of tuition and boarding fees; • re-calculated the amount of revenue and contract liabilities recognised during the year; and • checked the number of newly enrolled students during the year and the total number of students at the year end to the records on the China Credentials Verification website and other PRC education authorities.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is M. L. Chau.

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

30 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	499,621	449,350
Cost of sales		(298,007)	(240,333)
Gross profit		201,614	209,017
Other income and gains	5	112,153	85,948
Selling and distribution expenses		(19,074)	(17,565)
Administrative expenses		(94,130)	(67,566)
Other expenses		(25,392)	(19,119)
Finance costs	7	(17,760)	(15,225)
PROFIT BEFORE TAX	6	157,411	175,490
Income tax expense	10	(3,473)	(4,989)
PROFIT FOR THE YEAR		153,938	170,501
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		23	–
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		23	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR		23	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		153,961	170,501
Profit attributable to:			
Owners of the parent		153,938	170,501
Total comprehensive income attributable to:			
Owners of the parent		153,961	170,501
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
– For profit for the year		RMB0.13	RMB0.17

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,138,478**	1,019,129
Investment properties	14	**53,700**	72,148
Right-of-use assets	15(a)	**439,710**	437,586
Other intangible assets	16	**8,903**	7,881
Prepayments for non-current assets		**1,068**	21,493
Contract costs	17	**5,834**	4,278
Total non-current assets		**1,647,693**	1,562,515
CURRENT ASSETS			
Prepayments, other receivables and other assets	18	**8,641**	14,670
Accounts receivable	19	**5,961**	7,168
Amounts due from related parties	31(c)	**57,575**	20,464
Financial assets at fair value through profit or loss	20	**70,047**	20,190
Contract costs	17	**6,663**	5,702
Cash and cash equivalents	21	**482,393**	288,446
Total current assets		**631,280**	356,640
CURRENT LIABILITIES			
Contract liabilities	5	**151,830**	167,856
Other payables and accruals	22	**140,504**	165,056
Interest-bearing bank and other borrowings	23	**83,415**	97,209
Lease liabilities	15(b)	**25,210**	22,877
Tax payable		**16,985**	17,096
Amounts due to related parties	31(c)	**467**	713
Amount due to a director	31(c)	**–**	62,281
Deferred income	24	**5,366**	4,846
Total current liabilities		**423,777**	537,934
NET CURRENT ASSETS/(LIABILITIES)		**207,503**	(181,294)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,855,196**	1,381,221

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,855,196**	1,381,221
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	23	**185,009**	282,588
Lease liabilities	15(b)	**123,167**	116,925
Deferred income	24	**91,495**	98,781
Total non-current liabilities		**399,671**	498,294
Net assets		**1,455,525**	882,927
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	**11,124**	9
Reserves	26	**1,444,401**	882,918
Total equity		**1,455,525**	882,927

He Huishan
Director

He Huifen
Director

	Attributable to owners of the parent						
	Share capital RMB'000 Note 25	Capital reserve – others RMB'000 Note 26(b)	Statutory and other surplus reserves RMB'000 Note 26(c)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	–	54,387	173,357	524,532	752,276	37,542	789,818
Profit for the year	–	–	–	170,501	170,501	–	170,501
Total comprehensive income for the year	–	–	–	170,501	170,501	–	170,501
Issue of shares	9	–	–	–	9	–	9
Transfer from retained profits	–	–	44,513	(44,513)	–	–	–
Deemed distribution arising from acquisition of non-controlling interests of a subsidiary pursuant to the reorganisation (Note 31(b))	–	(48,794)	8,935	–	(39,859)	(37,542)	(77,401)
At 31 December 2020	9	5,593	226,805	650,520	882,927	–	882,927

	Attributable to owners of the parent						
	Share capital RMB'000 Note 25	Capital reserve – share premium RMB'000 Note 26(a)	Capital reserve – others RMB'000 Note 26(b)	Statutory and other surplus reserves RMB'000 Note 26(c)	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2021	9	–	5,593	226,805	–	650,520	882,927
Profit for the year	–	–	–	–	–	153,938	153,938
Other comprehensive income for the year:							
Exchange differences on translation of financial statements	–	–	–	–	23	–	23
Total comprehensive income for the year	–	–	–	–	23	153,938	153,961
Capitalisation Issue (notes 25(c), 26(a))	8,330	(8,330)	–	–	–	–	–
Global Offering (notes 25(d), 26(a))	2,785	439,706	–	–	–	–	442,491
Share issue expenses	–	(23,854)	–	–	–	–	(23,854)
Transfer from retained profits	–	–	–	16,579	–	(16,579)	–
At 31 December 2021	11,124	407,522*	5,593*	243,384*	23*	787,879*	1,455,525

* These reserve accounts comprise the consolidated reserves of RMB1,444,401,000 (2020: RMB882,918,000) in the consolidated statement of financial position.

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		157,411	175,490
Adjustments for:			
Finance costs	7	17,760	15,225
Bank interest income	5	(4,236)	(1,599)
Fair value gain, net:			
Financial assets at fair value through profit or loss	5	(1,694)	(2,608)
Government grants released	5	(10,337)	(7,545)
Gain on disposal of subsidiaries	5	–	(2,463)
Gain on termination of leases	5	(10,700)	–
(Gain)/loss on disposal of items of property, plant and equipment, net	6	(8,598)	273
Loss on disposal of investment properties	6	25	–
Impairment of accounts receivable	6	332	536
Depreciation of property, plant and equipment	6	47,380	38,970
Depreciation of investment properties	6	4,348	5,488
Depreciation of right-of-use assets	6	31,764	30,816
Amortisation of other intangible assets	6	1,771	1,215
		225,226	253,798
Decrease/(increase) in accounts receivable		875	(1,644)
(Increase)/decrease in prepayments, other receivables and other assets		(877)	17,082
(Increase)/decrease in contract costs		(2,517)	1,702
(Increase)/decrease in amounts due from related parties		(21,711)	25,983
Increase in other payables and accruals		10,476	5,689
Decrease in amounts due to related parties		(246)	(229)
Decrease in contract liabilities		(16,026)	(6,510)
Cash generated from operations		195,200	295,871
Bank interest received	5	4,236	1,599
Mainland China corporate income tax paid		(3,584)	(2,184)
Net cash flows from operating activities		195,852	295,286

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

YEAR ENDED DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Net cash flows from operating activities		195,852	295,286
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment from directors		–	10,122
Acquisition of non-controlling interests of a subsidiary	31(b)	(77,401)	–
Purchases of financial assets at fair value through profit or loss		(511,857)	(570,000)
Proceeds from disposal of financial assets at fair value through profit or loss		463,694	597,678
Additions to other intangible assets	16	(2,793)	(5,678)
Purchases of items of property, plant and equipment		(150,079)	(110,247)
Proceeds from disposal of items of property, plant and equipment		14,777	592
Receipt of government grants	24	3,571	12,823
Disposal of associates		–	7,560
Disposal of subsidiaries		–	5,844
Net cash flows used in investing activities		(260,088)	(51,306)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		442,491	–
Share issue expenses		(24,016)	–
New bank and other borrowings		54,369	25,319
Repayments of bank and other borrowings		(170,850)	(107,450)
Interest paid		(18,903)	(39,614)
Lease payments		(24,908)	(20,625)
Net cash flows from/(used in) financing activities		258,183	(142,370)
NET INCREASE IN CASH AND CASH EQUIVALENTS		193,947	101,610
Cash and cash equivalents at beginning of year		288,446	186,836
CASH AND CASH EQUIVALENTS AT END OF YEAR	21	482,393	288,446
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	482,393	288,446
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		482,393	288,446

1. CORPORATE AND GROUP INFORMATION

South China Vocational Education Group Company Limited (中國華南職業教育集團有限公司, the "Company") was incorporated in the Cayman Islands on 15 August 2018 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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

In the opinion of the directors of the Company (the "Directors"), the holding company and the ultimate holding company of the Company is Zhihui Guang Limited, which was incorporated in the British Virgin Islands (the "BVI").

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Lingnan Education Investment Limited	BVI	US$1	100%	–	Investment holding
South China Vocational Education Group (Hong Kong) Limited 中國華南職業教育集團(香港)有限公司	Hong Kong	HK$1	–	100%	Investment holding
Lingnan Education Group	Calabasas, California, USA	–	–	100%	Dormant
Guangdong Heguang Education Technology Co., Ltd. 廣東和光教育科技有限公司*^ ("Lingnan WFOE")	The PRC/ Mainland China	US$90,000,000	–	100%	Investment holding, provision of education management and services

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Lingnan Education Group Co., Ltd. 廣州嶺南教育集團有限公司*# ("Lingnan Education")	The PRC/ Mainland China	RMB30,000,000	–	100%	Investment holding, provision of education management and services
Guangdong Lingnan Institute of Technology 廣東嶺南職業技術學院*#	The PRC/ Mainland China	RMB34,490,000	–	100%	Provision of junior college education services
Guangdong Lingnan Modern Technician College 廣東嶺南現代技師學院*#	The PRC/ Mainland China	RMB6,000,000	–	100%	Provision of technical education services

* The English names of these companies or schools established in the PRC represent the best effort made by the Directors to translate the Chinese names as they have not been registered with any official English names.

^ Lingnan WFOE is registered as a wholly-foreign-owned enterprise under PRC law.

\# These entities are owned through contractual arrangements.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

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

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

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

These amendments had no impact on the Group's financial statements.

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

(b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. In April 2021, the HKICPA issued another amendment to HKFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021* to extend the availability of the practical expedient for any reduction in lease payments that affects only payments originally due on or before 30 June 2022 (the "2021 Amendment"). The 2021 Amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

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

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*[2]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(continued)*

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(continued)*

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

Amendments to HKAS 1 *Disclosure of Accounting Policies* require companies to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

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

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(continued)*

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(continued)*

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

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

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16. The amendment is not expected to have a significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;

- its liabilities, including its share of any liabilities incurred jointly;

- its revenue from the sale of its share of the output arising from the joint operation;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interests in joint operations *(continued)*

- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets *(continued)*

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

Related parties

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

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

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

  (ii) has significant influence over the Group; or

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

or

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

Property and buildings	1.9%
Education equipment	9.7 to 19.4%
Motor vehicles	9.7%
Furniture and other equipment	4.9 to 32.3%
Leasehold improvements	5.0 to 20.0%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight-line basis to write off the cost of an investment property to its residual value over its estimated useful life or over the remaining lease term.

Subsequent expenditure is capitalised in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably; otherwise, the expenditures are recognised in profit or loss in the year in which they are incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties *(continued)*

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss and other comprehensive income in the year of the retirement or disposal.

If an investment property becomes an owner-occupied property, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes. If an item of property, plant and equipment or a right-of-use asset becomes an investment property because its use has changed, the transfer does not change the carrying amount of the property transferred, nor does it change the cost of that property for measurement or disclosure purposes.

Intangible assets (other than goodwill)

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

Software

Purchased computer software is stated at cost less any impairment losses and is amortised on a straight-line basis over its estimated useful life ranged from 3 to 5 years. The useful life of the computer software is assessed by the Group considering the purposes and usage of the software.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Leasehold land	10 to 50 years
Buildings	3 to 37 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee (continued)

(b) Lease liabilities

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

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

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessor

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

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

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

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

General approach

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

General approach (continued)

Financial assets at amortised cost is subject to impairment under the general approach and it is classified within the following stages for measurement of ECLs except for accounts receivable which apply the simplified approach as detailed below.

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

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

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

Simplified approach

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions

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

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

Income tax

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when services are transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Specifically, the Group applies a five-step approach in revenue recognition:

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

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the services underlying the particular performance obligation is transferred to customers. If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at the point in time when the customer obtains control of the services.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers (continued)

The Group recognises revenue when the specific criteria have been met for the following activities:

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

The Group does not expect to have any contracts 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 transaction prices for the time value of money.

Other education service fees from the provision of other education services to students are collected in advance on a lump sum basis. Revenue is recognised proportionately over the periods of the applicable program.

Other income

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

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

Brand licensing income is recognised on an accrual basis based on the agreed percentage of the revenue of authorised schools.

Training income is recognised from the provision of training services to customers other than students over the period of the applicable programs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contract liabilities

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

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss and other comprehensive income on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Refund liabilities

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Pension scheme

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

Borrowing costs

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

Dividends

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

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

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

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

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Structured Contracts

Guangdong Lingnan Institute of Technology and Guangdong Lingnan Modern Technician College (the "PRC Schools") are mainly engaged in the provision of private higher vocational education services, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" that foreign investors are prohibited to invest in the PRC.

The Group exercises control over the PRC Schools and enjoys all economic benefits of the PRC Schools through a series of contractual arrangements.

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

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

Judgements *(continued)*

Joint Operations

Determining whether the collaboration with third parties are joint operations requires judgement and consideration of all relevant facts and circumstances to determine whether the parties have joint control of the arrangement. The Group assesses whether a contractual arrangement gives all the parties, or a group of the parties, control of the arrangement collectively. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that control the arrangement collectively.

The Group has established five joint operation programs to integrate the resources from the school and third-party enterprises and institutions to create an effective educational environment that combines practical training with academic learning. The areas of cooperation are broad, ranging from curriculum development to co-establishment and operation of practical training bases. With respect to curriculum formulation, enterprises typically introduce certain industry experts to the Group who will engage with the Group to undertake a series of tasks, including, but not limited to, rendering teaching services at school, providing guidance on course work and majors construction, and participating in formulating talent training schemes, as well as finalising key curriculum systems. In terms of the establishment and operation of external practical training bases, the school-enterprise collaboration scheme of the Group primarily focuses on providing hands-on practical training to students so that the enterprises the Group collaborates with are able to secure a stable source of talents with practical skills to join their workforces upon students' graduation. For the year ended 31 December 2021, revenue generated from joint operations in total amounted to RMB21,415,000 (2020: RMB25,310,000).

Principal versus agent

Determining whether the Group is acting as a principal or as an agent in the provision of the education services requires judgement and consideration of all relevant facts and circumstances. The Group is acting as a principal if it controls a promised service before transferring that service to the customer and reports revenue on the gross inflows of economic benefits. In evaluation of the Group acting as a principal, the Group considers whether the Group (i) is primarily responsible for fulfilling the promise to provide the specified service and (ii) has discretion in establishing the price for the specified service. Conversely, the Group is an agent when it does not control a promised service before transferring that service to the customer and recognises revenue on the net inflows of economic benefits.

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

Judgements *(continued)*

Current and deferred taxes

Significant judgement is required in interpreting the relevant tax rules and regulations so as to determine whether the Group is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities and such changes to tax liabilities will impact the tax expense in the period in which such determination is made. Further details of the current taxes are set out in note 10 to the financial statements.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Property lease classification – Group as lessor

The Group has entered into property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the property and the present value of the minimum lease payments not amounting to substantially all the fair value of the property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

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

Estimation uncertainty

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

Impairment of non-financial assets (other than goodwill)

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

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

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as the expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances. Further details of the property, plant and equipment are set out in note 13 to the financial statements.

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

Estimation uncertainty *(continued)*

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Provision for expected credit losses on accounts and other receivables

The provision rate of receivables is made based on assessment of their recoverability and ageing analysis of receivables as well as other quantitative and qualitative information and on management's judgement and assessment of the forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a debtor's actual default in the future. The information about the ECLs on the Group's other receivables and accounts receivable is disclosed in notes 18 and 19 to the financial statements, respectively.

4. OPERATING SEGMENT INFORMATION

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

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the Directors, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the Directors review the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

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

Information about major customers

No revenue from services provided to a single customer accounted for 10% or more of the total revenue of the Group during the year (2020: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	Notes	2021 RMB'000	2020 RMB'000
Revenue			
Revenue from contracts with customers			
Tuition fees	(a)	450,341	422,960
Boarding fees	(a)	43,096	22,021
Other education service fees	(b)	6,184	4,369
		499,621	449,350
Other income and gains			
Bank interest income		4,236	1,599
Fair value gain, net:			
Financial assets at fair value through profit or loss		1,694	2,608
Rental income	15	56,931	56,008
Brand licensing income	31(b)	2,365	3,448
Training income		17,010	11,945
Government grants:			
Related to assets	(c)	5,441	4,037
Related to income	(d)	4,896	3,508
Gain on disposal of items of property, plant and equipment, net		8,598	–
Gain on termination of leases	(e)	10,700	–
Gain on disposal of subsidiaries	27	–	2,463
Others		282	332
		112,153	85,948

Notes:

(a) Tuition fees and boarding fees mainly represented income received from the provision of education and boarding services to the students, which were recognised over time, i.e. the academic year, of the services rendered.

(b) Other education service fees mainly represented income received from the provision of other education services including training services to the students, which was recognised over time, i.e. the training periods, of the services rendered.

(c) Government grants related to assets represent the subsidies in connection with certain pieces of leasehold land and the electronic devices relating to teaching activities. These grants related to assets are released to profit or loss over the expected useful lives of the relevant assets.

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

(d) Government grants related to income represent the subsidies compensated for the incurred operating expenses arising from teaching activities, which were recognised as other income when the incurred operating expenses fulfilled the conditions attached.

(e) Certain lease and sub-leasing arrangements of the Group were terminated on 31 August 2021 and investment properties of RMB15,422,000 (note 14), right-of-use assets of RMB3,347,000 (note 15(a)), lease liabilities of RMB14,898,000 (note 15(b)) were derecognised. As Guangzhou Lingnan Tongwen Education Investment Management Co., Ltd. agreed to pay an amount of RMB15,400,000 (including tax of RMB829,000) (note 31(b)) to the Group as a compensation for the investment property built up by the Group on the original leased land, the Group recognised a net gain on termination of leases of RMB10,700,000 for the year. Details are included in note 31(b) to the financial statement.

Contract liabilities

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

Significant changes in the contract liability balances during the year are as follows:

	2021 RMB'000	2020 RMB'000
At the beginning of the year	167,856	174,366
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	(165,949)	(158,841)
Increases due to cash received, including amounts recognised as revenue during the year	474,939	451,286
Revenue recognised that was not included in contract liabilities at the beginning of the year	(322,132)	(280,238)
Transfer to refund liabilities	(2,884)	(18,717)
At the end of the year	151,830	167,856

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

Contract liabilities *(continued)*

Revenue recognised in relation to contract liabilities

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

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Tuition fees	**147,358**	155,444
Boarding fees	**18,591**	3,397
	165,949	158,841

Unsatisfied performance obligations

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 are as follows:

	2021 RMB'000	2020 RMB'000
Expected to be recognised within one year:		
Tuition fees	**135,594**	149,233
Boarding fees	**16,236**	18,623
	151,830	167,856

The amounts of transaction prices associated with unsatisfied or partially unsatisfied performance obligations do not include variable consideration which is constrained.

There were no contract assets at the end of the reporting period recognised in the consolidated statement of financial position as at 31 December 2021 and 2020.

6. PROFIT BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		167,037	143,185
Pension scheme contributions (defined contribution scheme)*****		16,377	11,679
		183,414	154,864
Depreciation of property, plant and equipment	13	47,380	38,970
Depreciation of investment properties	14	4,348	5,488
Depreciation of right-of-use assets	15(a)	31,764	30,816
Amortisation of other intangible assets*	16	1,771	1,215
Lease payments not included in the measurement of lease liabilities	15(c)	1,125	3,065
Impairment of accounts receivable	19	332	536
Direct operating expenses arising from rental-earning investment properties****		10,346	10,709
Donation expenses****		818	122
Fair value gain, net			
Financial assets at fair value through profit or loss	5	(1,694)	(2,608)
(Gain)/loss on disposal of items of property, plant and equipment, net		(8,598)	273
Gain on termination of leases	5	(10,700)	–
Loss on disposal of investment properties		25	–
Gain on disposal of subsidiaries	5	–	(2,463)
Bank interest income	5	(4,236)	(1,599)
Government grants**	24	(10,337)	(7,545)
Auditor's remuneration		2,700	270
Listing expenses***		25,388	14,299
Exchange loss, net****		1,948	–

* The amortisation of other intangible assets is included in cost of sales in the consolidated statement of profit or loss and other comprehensive income.

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

6. PROFIT BEFORE TAX *(continued)*

*** Listing expenses are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

**** These amounts are included in other expenses in the consolidated statement of profit or loss and other comprehensive income.

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

7. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on bank and other borrowings	**24,011**	30,433
Interest on lease liabilities	**11,496**	11,922
Total interest expense on financial liabilities not at fair value through profit or loss	**35,507**	42,355
Less: Interest capitalised (note 13)	**(17,747)**	(27,130)
	17,760	15,225

During the year, the interest capitalisation amount of the Group's borrowing costs has been included in property, plant and equipment.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2021 RMB'000	2020 RMB'000
Fees	255	–
Other emoluments:		
Salaries, allowances and benefits in kind	2,869	2,795
Performance related bonuses	786	55
Pension scheme contributions	135	27
	3,790	2,877
	4,045	2,877

(a) Independent non-executive directors

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

	2021 RMB'000	2020 RMB'000
Mr. Luo Pan (羅潘)	85	–
Mr. Yeh Zhe-Wei (葉哲瑋)	85	–
Mr. Ma Shuchao (馬樹超)	85	–
	255	–

There were no other emoluments payable to the independent non-executive directors during the year (2020: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2021					
Executive directors:					
Mr. He Huishan	–	707	–	34	741
Ms. He Huifen*	–	914	180	34	1,128
Ms. He Huifang	–	239	–	31	270
Mr. Lao Hansheng	–	1,009	606	36	1,651
	–	2,869	786	135	3,790
2020					
Executive directors:					
Mr. He Huishan	–	700	–	3	703
Ms. He Huifen*	–	872	4	3	879
Ms. He Huifang	–	230	–	2	232
Mr. Lao Hansheng	–	993	51	19	1,063
	–	2,795	55	27	2,877

* Ms. He Huifen is the chief executive of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2020: three directors including the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2020: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	3,761	1,619
Pension scheme contributions	103	5
	3,864	1,624

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2021	2020
Nil to HK$1,000,000	–	2
HK$1,000,001 to HK$1,500,000	4	–
	4	2

10. INCOME TAX

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

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

Lingnan Education Investment Limited, the Company's directly held subsidiary, was incorporated in the BVI as an exempted company with limited liability under the BVI Companies Act and accordingly is not subject to income tax from business carried out in the BVI.

South China Vocational Education Group (Hong Kong) Limited, a subsidiary incorporated in Hong Kong, is subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

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

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

10. INCOME TAX *(continued)*

According to the Implementing Opinions of the Guangdong Provincial Government on Encouraging Private Entities and Individuals to Operate Schools and Promote the Healthy Development of Private Education (《廣東省人民政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》), which was promulgated by the People's Government of Guangdong Province on 4 May 2018 and the 2016 Decision, school sponsors of private schools which were established and registered in Guangdong prior to 7 November 2016 may choose for the schools to be for-profit private schools or non-profit private schools at their own discretion, except for the schools providing compulsory education, which must be non-profit. However, the Implementing Measures of Classification Registration for Private Schools (《關於民辦學校分類登記的實施辦法》), which was promulgated by five departments of the Guangdong province government and came into effect on 30 December 2018, does not specify a deadline for the existing private schools to elect to be registered as non-profit or for-profit private schools. As at the date of approval of these financial statements, the PRC Schools have not yet registered as for-profit private schools or non-profit private schools and remain as private non-enterprise units.

Considering that the relevant tax policies regarding schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns remain unchanged and the PRC Schools remain as private non-enterprise units and, in accordance with the tax compliance confirmations obtained from the local tax authorities and the Group's external legal advisor's comments on the preferential tax treatments for the current year, the PRC Schools treated their academic education income as non-taxable income and did not pay corporate income tax for the academic education income during the year. In the event the PRC Schools elect to register as for-profit private schools, the PRC Schools may be subject to corporate income tax ("CIT") at a rate of 25% in respect of service fees they receive from the provision of academic educational services going forward, if they do not enjoy any preferential tax treatment.

Pursuant to the PRC CIT Law and the respective regulations, the Group's non-school subsidiaries which operate in Mainland China are generally subject to CIT at a rate of 25% on their taxable income.

10. INCOME TAX *(continued)*

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	2021 RMB'000	2020 RMB'000
Current – Mainland China		
Charge for the year	3,473	4,989

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

	2021 RMB'000	%	2020 RMB'000	%
Profit before tax	157,411		175,490	
Tax at the statutory tax rate	39,353	25.0	43,872	25.0
Lower tax rates for specific provinces or enacted by local authority	227	0.1	–	–
Income not subject to tax	(37,808)	(24.0)	(39,296)	(22.4)
Expenses not deductible for tax	510	0.3	399	0.2
Tax losses not recognised	1,191	0.8	14	–
Tax charge at the Group's effective rate	3,473	2.2	4,989	2.8

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

10. INCOME TAX *(continued)*

As at 31 December 2021, no deferred tax liabilities has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China (31 December 2020: Nil). In the opinion of the Directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB798,326,000 (2020: RMB650,578,000).

The Group had tax losses arising in Hong Kong of RMB2,672,000 (2020: Nil) that are available indefinitely for offsetting against future taxable profits of the company in which the losses arose.

The Group also had tax losses arising in Mainland China of RMB2,999,000 (2020: Nil), which will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that are expected to be loss-making in future and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Proposed final – HK5.6 cents (2020: Nil) per ordinary share	**60,627**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of RMB153,938,000 (2020: RMB170,501,000) and the weighted average number of ordinary shares of 1,156,476,712 in issue during the year, as adjusted to reflect the Capitalisation Issue (as defined below) during the year (2020: 999,210,385 ordinary shares, as adjusted to reflect the Capitalisation Issue, which were deemed to have been issued throughout the year ended 31 December 2020).

As of 1 January 2020, the Company had 3 ordinary shares in issue.

On 15 October 2020, the Company issued and allotted a total of 999,997 shares.

On 13 July 2021, the Company was listed on the Main Board of the Hong Kong Stock Exchange by way of issuing 334,000,000 new ordinary shares and the capitalisation issue of 999,000,000 ordinary shares (the "Capitalisation Issue") (note 25).

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

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

	2021 RMB'000	2020 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**153,938**	170,501

	Number of shares 2021	Number of shares 2020
Shares		
Number of issued shares on 1 January	**1,000,000**	3
Effect of shares issued on 15 October 2020	**–**	210,382
Effect of Capitalisation Issue on 13 July 2021	**999,000,000**	999,000,000
Effect of the Global Offering on 13 July 2021	**156,476,712**	–
Weighted average number of ordinary shares used in the basic and diluted earnings per share calculations	**1,156,476,712**	999,210,385

13. PROPERTY, PLANT AND EQUIPMENT

	Property and buildings RMB'000	Education equipment RMB'000	Motor vehicles RMB'000	Furniture and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2021							
At 1 January 2021:							
Cost	814,020	165,484	7,360	146,713	77,699	92,319	1,303,595
Accumulated depreciation	(57,175)	(127,617)	(4,985)	(72,223)	(22,466)	-	(284,466)
Net carrying amount	756,845	37,867	2,375	74,490	55,233	92,319	1,019,129
At 1 January 2021, net of accumulated depreciation	756,845	37,867	2,375	74,490	55,233	92,319	1,019,129
Additions	-	12,075	1,327	26,781	8,644	125,428	174,255
Disposals	(5,736)	(235)	(117)	(91)	-	-	(6,179)
Transfers	97,468	-	-	3,651	6,539	(107,658)	-
Transfer to investment properties (note 14)	-	-	-	-	-	(1,347)	(1,347)
Depreciation provided during the year (note 6)	(17,104)	(11,224)	(492)	(13,690)	(4,870)	-	(47,380)
At 31 December 2021, net of accumulated depreciation	831,473	38,483	3,093	91,141	65,546	108,742	1,138,478
At 31 December 2021:							
Cost	904,341	173,928	6,840	174,209	92,882	108,742	1,460,942
Accumulated depreciation	(72,868)	(135,445)	(3,747)	(83,068)	(27,336)	-	(322,464)
Net carrying amount	831,473	38,483	3,093	91,141	65,546	108,742	1,138,478

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

	Property and buildings RMB'000	Education equipment RMB'000	Motor vehicles RMB'000	Furniture and other equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2020							
At 1 January 2020:							
Cost	642,315	149,337	8,371	138,664	68,121	206,015	1,212,823
Accumulated depreciation	(44,432)	(118,449)	(5,654)	(68,147)	(18,118)	–	(254,800)
Net carrying amount	597,883	30,888	2,717	70,517	50,003	206,015	958,023
At 1 January 2020, net of accumulated depreciation	597,883	30,888	2,717	70,517	50,003	206,015	958,023
Additions	–	16,405	63	15,202	9,578	59,727	100,975
Disposals	–	(11)	(31)	(823)	–	–	(865)
Disposal of subsidiaries (note 27)	–	–	–	(34)	–	–	(34)
Transfers	171,705	–	–	1,718	–	(173,423)	–
Depreciation provided during the year (note 6)	(12,743)	(9,415)	(374)	(12,090)	(4,348)	–	(38,970)
At 31 December 2020, net of accumulated depreciation	756,845	37,867	2,375	74,490	55,233	92,319	1,019,129
At 31 December 2020:							
Cost	814,020	165,484	7,360	146,713	77,699	92,319	1,303,595
Accumulated depreciation	(57,175)	(127,617)	(4,985)	(72,223)	(22,466)	–	(284,466)
Net carrying amount	756,845	37,867	2,375	74,490	55,233	92,319	1,019,129

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

The Group's buildings are situated in Mainland China.

The Group's buildings, included above at cost, were valued at RMB854,212,000 as at 31 March 2021 in the prospectus issued on 30 June 2021 in connection with the listing of the Company's shares on the Main Board of the Hong Kong Stock Exchange on 13 July 2021. Had the Group's buildings been included in these financial statements at such valuation amount throughout the year ended 31 December 2021, an additional depreciation charge of RMB190,000 would have been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021.

Capitalised borrowing costs

Additions to property, plant and equipment during the year included interest capitalised amounting to RMB17,747,000 (2020: RMB27,130,000) (note 7), in respect of specific bank and other borrowings.

14. INVESTMENT PROPERTIES

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	72,148	77,636
Derecognised upon termination of leases	(15,422)	–
Disposals	(25)	–
Transfer from owner-occupied property (note 13)	1,347	–
Depreciation provided during the year (note 6)	(4,348)	(5,488)
Carrying amount at 31 December	53,700	72,148
Carrying amount at 31 December		
Cost	75,414	109,466
Accumulated depreciation	(21,714)	(37,318)
Net carrying amount	53,700	72,148

14. INVESTMENT PROPERTIES *(continued)*

As at 31 December 2021, the fair values of the investment properties were estimated to be approximately RMB99,200,000 (2020: RMB166,600,000).

The valuation was determined by the management of the Company with reference to a valuation performed by an independent professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed. The valuation was determined using the income approach, discounted cash flow method. The most significant input into this valuation approach is estimated rental value, rental growth, vacancy rate and discount rate. The fair value measurement hierarchy of the investment property requires certain significant unobservable inputs (Level 3).

The investment properties are leased to related parties and third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

15. LEASES

The Group as a lessee

The Group has lease contracts for property and buildings used in its operations.

Lump sum payments were made upfront to acquire certain land use rights from the government with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. The certain land use rights are amortised on a straight-line basis over lease terms as stated in the relevant land use right certificates.

Leases of other leased lands and buildings generally have lease terms between 3 to 37 years.

(a) Right-of-use assets

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

	Leasehold land RMB'000	Buildings RMB'000	Total RMB'000
As at 1 January 2020	239,072	229,330	468,402
Depreciation charge (note 6)	(8,553)	(22,263)	(30,816)
As at 31 December 2020 and 1 January 2021	230,519	207,067	437,586
Additions	16,322	20,913	37,235
Derecognised upon termination of leases	(1,295)	(2,052)	(3,347)
Depreciation charge (note 6)	(9,633)	(22,131)	(31,764)
As at 31 December 2021	235,913	203,797	439,710

15. LEASES *(continued)*

The Group as a lessee *(continued)*

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount at 1 January	**139,802**	160,427
New leases	**36,885**	–
Accretion of interest recognised during the year	**11,496**	11,922
Payments	**(24,908)**	(32,547)
Derecognised upon termination of leases	**(14,898)**	–
Carrying amount at 31 December	**148,377**	139,802
Analysed into:		
Current portion	**25,210**	22,877
Non-current portion	**123,167**	116,925

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

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

	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	**11,496**	11,922
Depreciation charge of right-of-use assets	**31,764**	30,816
Expense relating to short-term leases (included in cost of sales) (note 6)	**1,125**	3,065
Total amount recognised in profit or loss	**44,385**	45,803

(d) The total cash outflow for leases is disclosed in note 28(c) to the financial statements.

15. LEASES *(continued)*

The Group as a lessor

The Group leases its investment properties, consisting certain portion of buildings held by the Group as the owner and as the lessee of right-of-use assets under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB56,931,000 (2020: RMB56,008,000) (note 5).

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	**30,682**	55,862
After one year but within two years	**10,547**	53,672
After two years but within three years	**2,945**	36,963
After three years but within four years	**2,927**	1,815
After four years but within five years	**2,761**	1,811
After five years	**5,437**	6,670
	55,299	156,793

16. OTHER INTANGIBLE ASSETS

	2021 RMB'000	2020 RMB'000
Software		
At 1 January		
Cost	40,623	34,945
Accumulated amortisation	(32,742)	(31,527)
Net carrying amount	7,881	3,418
Cost at 1 January, net of accumulated amortisation	7,881	3,418
Additions	2,793	5,678
Amortisation provided during the year (note 6)	(1,771)	(1,215)
At 31 December	8,903	7,881
At 31 December		
Cost	43,416	40,623
Accumulated amortisation	(34,513)	(32,742)
Net carrying amount	8,903	7,881

17. CONTRACT COSTS

	2021 RMB'000	2020 RMB'000
Non-current assets	5,834	4,278
Current assets	6,663	5,702
	12,497	9,980

Contract costs capitalised related to the incremental commission fees paid to agents for successful referral of students entering into contracts for the tuition services. Contract costs are recognised as part of the selling and distribution expenses in the consolidated statement of profit or loss and other comprehensive income in the period in which revenue from the related tuition services is recognised.

The amount of capitalised contract costs recognised in profit or loss during the year was RMB7,132,000 (2020: RMB6,235,000). There was no impairment in relation to the capitalised contract costs during the year (2020: Nil).

The contract costs are amortised over the duration of the tuition programmes for 3 years.

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Note	2021 RMB'000	2020 RMB'000
Prepaid expenses		1,140	860
Advances to employees		932	883
Deposits		1,738	1,357
Listing expenses	(a)	–	6,906
Rental receivables		2,919	2,607
Other receivables		1,912	2,057
		8,641	14,670

(a) The listing expenses as of 31 December 2020 represented the capitalised expenses incurred during the initial public offering process and are deducted from equity of the Company during the year.

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

Deposits and other receivables mainly represent rental receivables, deposits and other receivables. Where applicable, an impairment analysis is performed for financial assets included in prepayments, other receivables and other assets at each reporting date by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2021 and 2020, the loss allowance was assessed to be minimal.

19. ACCOUNTS RECEIVABLE

	2021 **RMB'000**	2020 RMB'000
Tuition fees and boarding fees receivables	**6,209**	7,269
Impairment	**(248)**	(101)
	5,961	7,168

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year or semester normally in September or February. The outstanding receivables represent amounts due from students who have applied for deferred payments of tuition fees and boarding fees. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a number of individual students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

19. ACCOUNTS RECEIVABLE *(continued)*

An ageing analysis of the accounts receivable as at the end of the reporting period, based on the transaction date and net of loss allowance, is as follows:

	2021 RMB'000	2020 RMB'000
Within one year	5,911	7,117
One to two years	50	11
Two to three years	–	9
Over three years	–	31
	5,961	7,168

The movements in the loss allowance for impairment of accounts receivable are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	101	–
Impairment losses (note 6)	332	536
Amounts written off as uncollectible	(185)	(435)
At end of year	248	101

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The expected credit loss rates are determined into four categories, and the management groups the student with similar loss patterns into one of the categories. When grouping the students, the assessment adopted by the management is based on several factors, such as days past due, geographical region, performance and behavior of the students, students' family financial status and continued education service relationship with the students. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivable are written off after one year of the graduation of the specific students and are not subject to enforcement activity.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivable. The Group overall considers the credit risk and days past due of the accounts receivable to measure the expected credit losses.

19. ACCOUNTS RECEIVABLE *(continued)*

The expected credit loss for accounts receivable was assessed to be minimal for years ended 31 December 2021 and 2020.

Set out below is the information about the credit risk exposure on the Group's accounts receivable using a provision matrix:

	Expected credit loss rate %	2021 Gross carrying amount RMB'000	2021 Expected credit losses RMB'000	2020 Gross carrying amount RMB'000	2020 Expected credit losses RMB'000
Category 1	0	5,892	–	7,148	–
Category 2	50	–	–	–	–
Category 3	75	277	208	82	62
Category 4	100	40	40	39	39
		6,209	248	7,269	101

There was no change in the ECL rates during the year, which was mainly because no significant changes in the historical default rates of accounts receivable, economic conditions and performance and behavior of the students were noted, based on which the ECL rates are determined.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Other unlisted investments, at fair value		
Wealth management products	70,047	20,190

The above unlisted investments were wealth management products issued by banks and a fund company in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

None of these investments are past due as at the end of the reporting period. The fair values are based on cash flow discounted using the expected return based on management judgement and are within categorised level 2 of fair value hierarchy.

21. CASH AND CASH EQUIVALENTS

	2021 RMB'000	2020 RMB'000
Cash and bank balances	462,393	268,446
Time deposits	20,000	20,000
Cash and cash equivalents	482,393	288,446
Denominated in:		
RMB	416,676	288,165
HK$	65,444	–
US$	273	281

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB416,676,000 (2020: RMB288,165,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

21. CASH AND CASH EQUIVALENTS *(continued)*

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and seven days depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

22. OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Payables of salary	**15,303**	12,242
Payables of social insurance and housing fund	**24,569**	23,445
Payables of scholarship	**8,773**	10,946
Payables for purchase of property, plant and equipment	**37,857**	51,503
Payables of cooperative education fees	**3,780**	3,633
Other tax payables	**6,784**	4,202
Withholding tax payables	**–**	15,120
Deposit payables	**5,567**	6,702
Miscellaneous advances received from students (note (a))	**23,461**	17,915
Payables for listing expense	**–**	7,068
Other payables and accruals	**14,410**	12,280
	140,504	165,056

Other payables and accruals are non-interest-bearing and expected to be settled within one year.

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

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021			2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Current portion of long term bank loans – secured	–	–	–	5.15~5.49	2021	77,915
Current portion of long term bank loans – unsecured	5.15~5.49	2022	77,915	–	–	–
Current portion of long term other borrowings – unsecured	6.77~8.51	2022	5,500	8.51	2021	10,000
Current portion of long term other borrowings – secured	–	–	–	5.84	2021	9,294
			83,415			97,209
Non-current						
Bank loans – secured	–	–	–	5.15~5.49	2022 ~ 2026	212,756
Bank loans – unsecured	5.15~5.49	2023 ~ 2026	161,759	–	–	–
Other borrowings – unsecured	6.77~8.51	2023 ~ 2027	23,250	8.51	2022	12,500
Other borrowings – secured	–	–	–	5.84	2022 ~ 2025	57,332
			185,009			282,588
			268,424			379,797

23. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	2021 RMB'000	2020 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**77,915**	77,915
In the second year	**86,315**	78,815
In the third to fifth years, inclusive	**75,444**	133,941
	239,674	290,671
Other borrowings repayable:		
Within one year	**5,500**	19,294
In the second year	**3,300**	26,768
In the third to fifth years, inclusive	**6,000**	43,064
Beyond five years	**13,950**	–
	28,750	89,126
	268,424	379,797

Note:

All of the Group's bank and other borrowings and interest accruals are denominated in RMB.

The Group's bank and other borrowings are also guaranteed by certain related parties at no cost. The guarantee amounts provided by the related parties are as follows:

	2021 RMB'000	2020 RMB'000
Mr. He Huishan and Ms. Zhou Lanqing	**1,300**	22,177
Mr. He Huishan, Ms. Zhou Lanqing and Guangzhou Tianhe Lingnan International School	**86,939**	182,703
Guangzhou Tianhe Lingnan International School	**152,735**	174,917
	240,974	379,797

The relationships with these related parties are set out in note 31 to the financial statements.

24. DEFERRED INCOME

	2021 RMB'000	2020 RMB'000
Government grants		
At beginning of year	103,627	98,349
Grants received	3,571	12,823
Released to profit or loss (note 6)	(10,337)	(7,545)
At end of year	96,861	103,627
Current	5,366	4,846
Non-current	91,495	98,781
	96,861	103,627

These government grants are related to the subsidies received from the local government for the purpose of compensating the operating expenses arising from the teaching activities of the Group's schools and expenditures on certain pieces of leasehold land and teaching facilities. Upon completion of the operating activities and the related projects, the grants related to the expense items would be recognised as other income directly in profit or loss and the grants related to an asset would be released to profit or loss over the expected useful life of the relevant asset.

25. SHARE CAPITAL

	2021 RMB'000	2020 RMB'000
Issued and fully paid:		
1,334,000,000 (2020: 1,000,000) ordinary shares	11,124	9

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

	Notes	Number of shares in issue	Share capital RMB'000
At 1 January 2020	(a)	3	–
Shares issued	(b)	999,997	9
At 31 December 2020 and 1 January 2021		1,000,000	9
Capitalisation Issue	(c)	999,000,000	8,330
Global Offering	(d)	334,000,000	2,785
At 31 December 2021		1,334,000,000	11,124

Notes:

(a) The Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 15 August 2018 with authorised share capital of HK$380,000 divided into 38,000,000 shares with par value of HK$0.01 each, of which 1, 1, and 1 shares were issued and allotted to Zhihui Guang Limited ("Zhihui Guang"), China Foreign Education Limited ("China Foreign Education") and Fangyuan International Education Investment Limited ("Fangyuan Education"), respectively, credited as fully paid. Zhihui Guang, China Foreign Education and Fangyuan Education are companies incorporated in the BVI and controlled by Mr. He Huishan and Ms. Zhou Lanqing, Ms. He Huifen, and Ms. He Huifang, respectively.

(b) On 15 October 2020, the Company issued and allotted a total of 999,997 shares for a consideration at par value of HK$0.01, 569,999 shares of which to Zhihui Guang, 189,999 shares of which to China Foreign Education, 189,999 shares to Fangyuan Education and 50,000 shares of which to Good Booming Limited. Good Booming Limited is a company incorporated in the BVI and controlled by Mr. He Huishan.

25. SHARE CAPITAL *(continued)*

(c) On 13 July 2021, pursuant to the written resolution of the shareholders of the Company, the Directors were authorised to capitalise the amount of HK$9,990,000 of the Company's share premium being credited as a result of the Global Offering (as defined below) in paying up in full at par 999,000,000 shares for allotment and issue to the persons whose names appear on the register of members of the Company immediately prior to the Global Offering on a pro rata basis.

(d) On 13 July 2021, the Company was listed on the Main Board of the Hong Kong Stock Exchange with the stock code 6913 and made a global offering of 334,000,000 ordinary shares (the "Global Offering") at a price of HK$1.59 per share. Immediately following the completion of the Capitalisation Issue and the Global Offering, the authorised share capital of the Company was HK$100,000,000 divided into 10,000,000,000 shares.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(a) Capital reserve – premium

The application of the share premium account is governed by the Companies Act of the Cayman Islands. Under the constitutional documents and the Companies Act of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

(b) Capital reserve – others

Other capital reserve of the Group represents the capital contribution from the then equity holders of the Group's subsidiaries, after elimination of investments in the subsidiaries.

26. RESERVES *(continued)*

(c) Statutory and other surplus reserves

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

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

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

27. DISPOSAL OF SUBSIDIARIES

	Notes	2021 RMB'000	2020 RMB'000
Net assets disposed of:			
Property, plant and equipment	13	–	34
Prepayments, other receivables and other assets		–	144
Cash and cash equivalents		–	2,156
Other payables and accruals		–	(3,797)
		–	(1,463)
Gain on disposal of subsidiaries	5	–	2,463
		–	1,000
Satisfied by:			
Cash		–	1,000

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

	2021 RMB'000	2020 RMB'000
Cash consideration	–	1,000
Cash and bank balances disposed of	–	(2,156)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	–	(1,156)

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB36,885,000 (2020: Nil) and RMB36,885,000 (2020: Nil), respectively, in respect of lease arrangements for property and buildings.

(b) Changes in liabilities arising from financing activities:

2021

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2021	379,797	139,802	519,599
Changes from financing cash flows	(116,481)	(24,908)	(141,389)
New leases	–	36,885	36,885
Derecognised upon termination of leases	–	(14,898)	(14,898)
Interest expense	5,108	11,496	16,604
At 31 December 2021	268,424	148,377	416,801

2020

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2020	459,187	160,427	619,614
Changes from financing cash flows	(82,131)	(32,547)	(114,678)
Interest expense	2,741	11,922	14,663
At 31 December 2020	379,797	139,802	519,599

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(c) Total cash outflow for leases

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

	2021 RMB'000	2020 RMB'000
Within operating activities	1,125	3,065
Within financing activities	24,908	32,547
	26,033	35,612

29. CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened (2020: Nil).

30. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2021 RMB'000	2020 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	88,063	24,994

31. RELATED PARTY TRANSACTIONS

The Directors are of the view that the following persons and companies are related parties that had material transactions or balances with the Group during the year.

(a) Name and relationship of related parties

Name	Relationship
Mr. He Huishan (賀惠山)	Director of the Company and one of the shareholders
Ms. Zhou Lanqing (周蘭慶)	Spouse of Mr. He Huishan and one of the shareholders
Ms. He Huifen (賀惠芬)	Director of the Company, one of the shareholders and sister of Mr. He Huishan and Ms. He Huifang
Ms. He Huifang (賀惠芳)	Director of the Company, one of the shareholders and sister of Mr. He Huishan and Ms. He Huifen
Mr. Du Wenyu (杜文宇)	Spouse of Ms. He Huifang
Mr. Han Liqing (韓利慶)	Spouse of Ms. He Huifen
Guangzhou Lingnan Tongwen Education Investment Management Co., Ltd.* (廣州嶺南同文教育投資管理有限公司, "Tongwen Investment")	A limited liability company indirectly owned by Ms. He Huifen, Mr. Han Liqing, Ms. Zhou Lanqing and Ms. He Huifang
Guangzhou Lingnan Health Valley Investment Co., Ltd.* (廣州嶺南養生谷投資有限公司, "Health Valley")	A limited liability company controlled by Mr. He Huishan and Ms. Zhou Lanqing
Guangzhou Lingnan Vocational Training School* (廣州市嶺南職業培訓學校, "Vocational Training School")	A school controlled by Ms. He Huifen
Guangzhoushi Huangpuqu Lingnan Shuyuan Academy Training Center* (廣州市黃埔區嶺南書院培訓中心, "Huangpu Training Center")	A company controlled by Mr. Du Wenyu

31. RELATED PARTY TRANSACTIONS *(continued)*

(a) Name and relationship of related parties *(continued)*

Name	Relationship
Guangzhou Tianhe Lingnan International Kindergarten ("Lingnan International Kindergarten")	A school controlled by Mr. He Huishan
Guangzhou Tianhe Lingnan International School ("Lingnan International School")	A school controlled by Ms. He Huifang

* The English names of these companies established in the PRC represent the best effort made by the Directors to translate the Chinese names as they have not been registered with any official English names.

(b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2021 RMB'000	2020 RMB'000
Rental income		
Tongwen Investment	15,743	22,585
Health Valley	17,060	14,002
Huangpu Training Center	132	–
	32,935	36,587

The rental income was made according to the published prices and conditions offered to the other third party lessees of the Group.

Tongwen Investment is primarily engaged in the provision of primary and secondary school education through Guangzhou Kaifaqu Foreign Language School Affiliated to the South China Normal University (廣州開發區華南師範大學附屬外國語學校, the "Foreign Language School") it owns.

31. RELATED PARTY TRANSACTIONS *(continued)*

(b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: *(continued)*

Under the property lease agreements to which Tongwen Investment is the lessee, the Group sub-leased certain properties to Tongwen Investment for use by Foreign Language School, which provides compulsory education. The Group terminated the leases as lessee and the sub-leasing arrangement as lessor on 31 August 2021 except for one property with gross floor area of 790.18 sq. m. which was used directly by Tongwen Investment. According to the agreement entered into between the Group and Tongwen Investment on 30 August 2021, Tongwen Investment agreed to pay an amount of RMB15,400,000 (including tax of RMB829,000) which is determined based on a valuation performed by an independent professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, as a compensation for the investment property built up by the Group on the original leased land.

	2021 RMB'000	2020 RMB'000
Brand licensing income		
Lingnan International School	870	2,007
Lingnan International Kindergarten	1,495	1,441
	2,365	3,448

The brand licensing income was received for the brand name used by Lingnan International School and Lingnan International Kindergarten. The fees were charged pursuant to the normal commercial terms in the agreements signed between the Group and Lingnan International School and Lingnan International Kindergarten, respectively. The brand licensing cooperation agreement entered into by Lingnan Education with Lingnan International School has been terminated on 31 August 2021.

31. RELATED PARTY TRANSACTIONS *(continued)*

(b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: *(continued)*

	2021 RMB'000	2020 RMB'000
Deemed distribution arising from the acquisition of non-controlling interests of a subsidiary pursuant to the reorganisation		
Ms. He Huifen	–	77,401

On 1 January 2020, Lingnan Education entered into a school sponsor's interest transfer agreement with Ms. He Huifen, pursuant to which Lingnan Education acquired 30% school sponsor's interest of Ms. He Huifen in Guangdong Lingnan Modern Technician College at a consideration of RMB77,401,000, which was determined after arm's length negotiations between the parties by reference to the equity appraisal report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Upon approvals from the relevant government authorities on 6 November 2020, Lingnan Education became the sole school sponsor of Guangdong Lingnan Modern Technician College.

(c) **Outstanding balances with related parties**

As disclosed in the consolidated statement of financial position, the Group had outstanding balances due from/to related parties at 31 December 2021 as follows:

Amounts due from related parties:

Name	2021 RMB'000	2020 RMB'000
Tongwen Investment	41,377	6,457
Health Valley	15,805	14,007
Lingnan International Kindergarten	393	–
	57,575	20,464

The amounts due from related parties were unsecured, interest-free and repayable within one year. The amounts due from related parties were mainly trade in nature, which were caused by the transactions disclosed in note 31(b) to the financial statements.

31. RELATED PARTY TRANSACTIONS *(continued)*

(c) Outstanding balances with related parties *(continued)*

Amounts due to related parties:

Name	2021 RMB'000	2020 RMB'000
Lingnan International Kindergarten	–	287
Lingnan International School	467	426
	467	713

The amounts due to related parties were unsecured, interest-free and repayable on demand.

Amount due to a director:

Name	2021 RMB'000	2020 RMB'000
Ms. He Huifen	–	62,281

The amount due to a director was unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel of the Group:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	3,483	3,277
Performance related bonuses	1,086	76
Pension scheme contributions	146	27
	4,715	3,380

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

The related party transactions in respect of items rental income and brand licensing income above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

32. LOANS TO DIRECTORS

Loans to directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At 31 December 2021 RMB'000	Maximum amount outstanding during the year RMB'000	As at 31 December 2020 and 1 January 2021 RMB'000	Maximum amount outstanding during the prior year RMB'000	At 1 January 2020 RMB'000
Mr. He Huishan	–	–	–	5,634	5,634
Ms. He Huifang	–	–	–	4,488	4,488
	–	–	–	10,122	10,122

Loans to the companies controlled by directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At 31 December 2021 RMB'000	Maximum amount outstanding during the year RMB'000	As at 31 December 2020 and 1 January 2021 RMB'000	Maximum amount outstanding durin the prior year RMB'000	At 1 January 2020 RMB'000
Health Valley	15,805	32,720	14,007	25,918	16,016
Huangpu Training Center	–	–	–	2,100	2,100
Vocational Training School	–	–	–	303	303
Lingnan International School	–	870	–	1,527	–
Lingnan International Kindergarten	393	1,495	–	2,007	–
	16,198	35,085	14,007	31,855	18,419

33. FINANCIAL INSTRUMENTS BY CATEGORY

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

2021

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss – Mandatorily designated as such RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	6,569	–	6,569
Accounts receivable	5,961	–	5,961
Amounts due from related parties	57,575	–	57,575
Financial assets at fair value through profit or loss	–	70,047	70,047
Cash and cash equivalents	482,393	–	482,393
	552,498	70,047	622,545

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	61,614
Interest-bearing bank and other borrowings	268,424
Lease liabilities	148,377
Amounts due to related parties	467
	478,882

33. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2020

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at fair value through profit or loss – Mandatorily designated as such RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets	6,021	–	6,021
Accounts receivable	7,168	–	7,168
Amounts due from related parties	20,464	–	20,464
Financial assets at fair value through profit or loss	–	20,190	20,190
Cash and cash equivalents	288,446	–	288,446
	322,099	20,190	342,289

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Financial liabilities included in other payables and accruals	81,186
Interest-bearing bank and other borrowings	379,797
Lease liabilities	139,802
Amounts due to related parties	713
Amount due to a director	62,281
	663,779

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2021, the fair values of the Group's financial assets and liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, accounts receivable, financial assets included in prepayments, other receivables and other assets, amounts due from related parties, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank and other borrowings and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of wealth management products have been estimated by discounting the expected future cash flows using rates currently available for instruments with similar terms. The valuation requires the Directors to make estimates about the expected future cash flows including expected future interest return on maturity of the wealth management products. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in the consolidated statement of profit or loss and other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at the end of the reporting period were assessed to be insignificant. The fair values of the non-current portion of interest-bearing bank and other borrowings approximate to their carrying amounts as at 31 December 2021 and 2020.

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	70,047	–	70,047

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	20,190	–	20,190

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Liabilities for which fair values are disclosed:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current portion of interest-bearing bank and other borrowings	–	185,009	–	185,009

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Non-current portion of interest-bearing bank and other borrowings	–	282,588	–	282,588

During the year, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, lease liabilities, cash and cash equivalents and wealth management products. The main purpose of the financial instruments is to raise finance for the Group's operation. The Group has various other financial assets and liabilities such as accounts receivable, amounts due from/to related parties, financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Group is not exposed to the cash flow interest rate risks as the interest-bearing bank and other borrowings are at fixed interest rates. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures mainly arise from the cash and cash equivalents denominated in HK$.

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

	Increase/ (decrease) %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2021			
If the RMB weakens against the HK$	5	3,272	–
If the RMB strengthens against the HK$	(5)	(3,272)	–
2020			
If the RMB weakens against the HK$	5	–	–
If the RMB strengthens against the HK$	(5)	–	–

* Excluding retained profits

Credit risk

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Cash and cash equivalents

As disclosed in note 21 to the financial statements, substantially all of the bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

At the end of the reporting period, the provisions for impairment of cash and cash equivalents were assessed to be mininal based on 12-month ECLs.

Accounts receivable

The Group's accounts receivable are due from a number of individual students, the credit quality of each student is assessed and the outstanding receivables are regularly monitored.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on financial situation and historical payment records for groupings of various student segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivable are written off after one year of the graduation of the specific students and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 19 to the financial statements. The Group does not hold collateral as security.

Amounts due from related parties

The Group analysed the credit risk related to amounts due from related parties and categorised all the amounts in stage 1 at the end of the reporting period. During the year, the Group estimated the expected credit loss rate for amounts due from related parties is minimal.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Financial assets included in prepayments, other receivables and other assets

Financial assets included in prepayments, other receivables and other assets were mainly rental receivables, deposits and other receivables. The Group considers the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group and whether there has been significant increase in credit risk on an ongoing basis during the year. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as the reporting date with the historical loss record. It considers available reasonable and supportive forward-looking information.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset other than accounts receivable is when the counterparty fails to make contractual payments within one year after they fall due.

Financial assets are written off when there is no reasonable expectation of recovery. The Group categories a receivable for write-off when a debtor fails to make contractual payments which are more than two years past due.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets – Normal**	6,569	–	–	–	6,569
Accounts receivable*	–	–	–	6,209	6,209
Amounts due from related parties – Normal**	57,575	–	–	–	57,575
Cash and cash equivalents – Not yet past due	482,393	–	–	–	482,393
	546,537	–	–	6,209	552,746

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk *(continued)*

Maximum exposure and year-end staging *(continued)*

31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Financial assets included in prepayments, other receivables and other assets – Normal**	6,021	–	–	–	6,021
Accounts receivable*	–	–	–	7,269	7,269
Amounts due from related parties – Normal**	20,464	–	–	–	20,464
Cash and cash equivalents – Not yet past due	288,446	–	–	–	288,446
	314,931	–	–	7,269	322,200

* For accounts receivable to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** The credit quality of amounts due from related parties and the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in note 19 to the financial statements.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., accounts receivable) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation and interest-bearing bank and other borrowings.

The Group's policy is that not more than 40% of borrowings should mature in any 12-month period. The percentages of the Group's debts that would mature in less than one year as at 31 December 2021 were in consistence with the Group's policy based on the carrying value of borrowings reflected in the financial statements.

The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2021	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	61,614	–	–	–	–	61,614
Interest-bearing bank and other borrowings	–	2,996	97,505	188,132	11,112	299,745
Lease liabilities	–	6,780	19,944	97,137	76,434	200,295
Amounts due to related parties	467	–	–	–	–	467
	62,081	9,776	117,449	285,269	87,546	562,121

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

2020	On demand RMB'000	Less than 3 months RMB'000	3 to less than 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Financial liabilities included in other payables and accruals	81,186	–	–	–	–	81,186
Interest-bearing bank and other borrowings	–	11,435	105,486	301,873	–	418,794
Lease liabilities	–	6,978	20,685	96,621	73,595	197,879
Amounts due to related parties	713	–	–	–	–	713
Amount due to a director	62,281	–	–	–	–	62,281
	144,180	18,413	126,171	398,494	73,595	760,853

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 31 December 2020.

The Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of the reporting period are as follows:

	2021 RMB'000	2020 RMB'000
Total liabilities	**823,448**	1,036,228
Total assets	**2,278,973**	1,919,155
Debt-to-asset ratios	**36%**	54%

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
CURRENT ASSETS		
Cash and cash equivalents	3,503	–
Amounts due from shareholders	9	9
Amounts due from subsidiaries	409,618	–
Prepayments	–	6,906
Total current assets	413,130	6,915
CURRENT LIABILITIES		
Amounts due to subsidiaries	2,203	6,906
Total current liabilities	2,203	6,906
TOTAL ASSETS LESS CURRENT LIABILITIES	410,927	9
Net assets	410,927	9
EQUITY		
Share capital	11,124	9
Reserves	399,803	–
Total equity	410,927	9

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Capital reserve – share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	–	–	–
Loss for the year	–	–	–
Total comprehensive loss for the year	–	–	–
At 31 December 2020 and 1 January 2021	–	–	–
Loss for the year	–	(7,719)	(7,719)
Total comprehensive loss for the year	–	(7,719)	(7,719)
Capitalisation Issue	(8,330)	–	(8,330)
Global Offering	439,706	–	439,706
Share issue expenses	(23,854)	–	(23,854)
At 31 December 2021	407,522	(7,719)	399,803

37. APPROVAL OF THE FINANCIAL STATEMENTS

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