



21世紀教育

21ST CENTURY EDUCATION

CHINA 21ST CENTURY EDUCATION GROUP LIMITED

中國21世紀教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1598



Annual Report
2021



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I. CORPORATE INFORMATION

1. BOARD OF DIRECTORS

1.1 Executive Directors

Mr. Li Yunong (李雨濃)
Ms. Liu Hongwei (劉宏煒)
Mr. Ren Caiyin (任彩銀)
Ms. Yang Li (楊莉)
Mr. Li Yasheng (李亞晟)

1.2 Independent Non-executive Directors

Mr. Guo Litian (郭立田)
Mr. Yao Zhijun (姚志軍)
Mr. Wan Joseph Jason (尹宸賢)

2. AUDIT COMMITTEE

Mr. Yao Zhijun (姚志軍) (chairman)
Mr. Guo Litian (郭立田)
Mr. Wan Joseph Jason (尹宸賢)

3. REMUNERATION COMMITTEE

Mr. Wan Joseph Jason (尹宸賢)
(chairman)
Mr. Guo Litian (郭立田)
Mr. Li Yasheng (李亞晟)

4. NOMINATION COMMITTEE

Mr. Li Yunong (李雨濃) (chairman)
Mr. Yao Zhijun (姚志軍)
Mr. Wan Joseph Jason (尹宸賢)

5. AUTHORISED REPRESENTATIVES

Ms. Liu Hongwei (劉宏煒)
Mr. Yang Yang (楊洋)

6. JOINT COMPANY SECRETARIES

Mr. Yang Yang (楊洋)
Ms. Wong Sau Ping (黃秀萍)

7. LEGAL ADVISOR

Jingtian & Gongcheng LLP

8. AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest
Entity Auditor

9. REGISTERED OFFICE

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

10. HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

8th Floor,
Zhongdian Information Building
No. 356 Zhongshan West Road
Qiaoxi District
Shijiazhuang City
Hebei Province, the PRC

11. PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay, Hong Kong

12. 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

13. HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

14. PRINCIPAL BANKERS

Bank of Zhangjiakou,
Shijiazhuang Branch
China Merchants Bank,
Shijiazhuang Branch

15. COMPANY WEBSITE

www.21centuryedu.com

16. STOCK CODE

1598



Dear Shareholders and investors,

On behalf of the Board of China 21st Century Education Group Limited, I am pleased to present to you the 2021 annual report for the year ended 31 December 2021.

With the normalization of COVID-19 pandemic and the launch of new policies on the education industry, 2021 will be a year of opportunities and challenges. On the one hand, the operation of the Group has not only recovered to the level before the pandemic, but also its income has increased on this basis; on the other hand, according to the important instructions of the government on vocational education and the specific requirements of Double Reduction Opinions, the Company actively responded to the policies in a timely manner, and evaluated the business of tutorial schools within the Group. During the Reporting Period, we have closed down some tutorial school businesses and made provision for impairment of the goodwill of related businesses, so as to further clarify the development strategy with new vocational education as the main line.

OPERATING HIGHLIGHTS

As at 31 December 2021, the Group owned 14 schools, including 1 private college under vocational education segment (Shijiazhuang Institute of Technology), and was entrusted with the operation of the west campus of Sifang College; 2 Peijian Tutorial Schools, 3 Shinedao Tutorial Schools and 8 Saintach Kindergartens under quality-oriented education segment.

For the year ended 31 December 2021, 17,076 full-time students were enrolled under the vocational education segment, which represented an increase of 3.2% from 16,553 students for the corresponding period in 2020. In addition, our vocational education segment provided the west campus of Sifang College with entrusted operation service for 3,653 students.

The Group invested great resources in the vocational education segment and kept strengthening the "organic development". In particular, Shijiazhuang Institute of Technology was enlisted into the Action Plan for Quality Enhancement and Excellence initiated by the Ministry of Education, thereby and with the Double High-levels Plan as the mission and the construction of "five features" and "three focuses" as the guidance, 15 pilot majors in apprenticeship had been set up with the framework of high-level specialties in fields of "1+3+N" (i.e. computer and network technology specialty + smart manufacture specialty, pre-school education specialty and modern logistic management specialty + other specialties) been completed, and 13 practice bases for key specialties had been constructed. The education quality of the institute has been improved. In addition, the institute set up a community education and guidance service center to serve surrounding districts utilizing its quality resources, and conducted governmental vocational education and social training for 3,305 people. The institute also formulated the 14th five years technology innovation program and application for specialty demonstration base on national security and emergency industry for local government. The Institute strove to satisfy the talent demands of corporates by innovating talents cultivation while providing supports in terms of corporate talents training and technical skills and improvements by setting up expert think tank, which in turn enhanced its social influence. At the same time, the Group has actively practised the development direction of industry education integration, and has established four industrial colleges, forming a pattern of industry education integration on the premise of long-term school enterprise cooperation.



II. CHAIRMAN'S STATEMENT

For the year ended 31 December 2021, the quality-oriented education segment delivered an aggregate of approximately 372,000 tutoring hours to 7,623 students. Peijian Education continued to carry out its training model of entering into schools and expanded cooperation with 37 schools. Relying on Peijian Education's brand advantages and business resources, the Beijing-Tianjin-Hebei New Gaokao section of the Group introduced an authoritative and accurate AI technology platform for college selection and application in the PRC, and carried out a number of businesses around the college entrance exam.

DIVIDEND DISTRIBUTION

As recommended by the Board and upon approval of Shareholders at the forthcoming annual general meeting of the Company (the "AGM"), the Company will distribute a dividend of HK0.63 cents per Share for the year 2021 as a reward for investors who have supported us all along in accordance with its dividend payout policy.

FUTURE STRATEGIES

As a comprehensive private education service provider, we have kept upholding the corporate mission of "creating equality through education" and leveraged on "content + technology" to promote the development of the education industry. While focusing on the overall goals of national education modernization and "dual circulation" of economic development, we will make great effort to develop vocational education in a bid to make education accompany everyone's growth throughout their lives.

In the future, the Group will take new vocational education as the main line of development and Shijiazhuang Institute of Technology as the foundation, deepen the development of industry education integration and expand continuing education products through internal construction and planning of school enterprise cooperation, mergers and acquisitions and government enterprise cooperation. The Group will focus our future business development on the track of vocational education, continue to drive the business development of the Group through both "organic development + mergers and acquisitions" based on our existing advantageous businesses in a view to obtain better development space and quality and realize steady performance growth.

The close alignment between vocational education and economic and social development needs is the basis for promoting sustainable economic and social development and increasing talent support that backs the competitiveness of the country. We will actively promote the vocational education to improve the quality of training, propel the rapid development of related professions through optimising the structure of specialty and attracting high-quality teachers with introducing academic leader.

We have worked closely with the government and reached a cooperation intention with the government of Gaoyi County, Shijiazhuang, Hebei Province. On the one hand, we expand the scale of vocational education by building a new campus of Shijiazhuang Institute of Technology; on the other hand, we will build a local campus that integrates high-tech industries and education for cultivating high calibre and skilled talents, and realize the real integration of industry and education as the main direction of the development of vocational education.



ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank the staff for their diligence and contribution in the past year. We would also like to convey our sincere gratitude to investors for their continuous attention and support to the Group.

Looking ahead, we will utilize our self-innovated education system and scientific and sound management mechanism to closely align with the Group's established development strategies, capture development opportunities in the education industry, adhere to our core values of "sharing, partnership, virtue and self-improvement" and insist on offering more open and convenient educational services to the whole society, so that education can support the overall development of every person and realize equal opportunities. Facing the opportunity, we will continue to forge ahead and repay the trust of the Shareholders.

Li Yunong

Chairman of the Board

31 March 2022



III. FINANCIAL AND OPERATING HIGHLIGHTS

1. RESULTS

	For the year ended 31 December				
	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)	2017 (RMB'000)
Revenue	308,767	253,802	234,242	201,995	169,741
Cost of sales	(181,942)	(131,517)	(112,934)	(99,691)	(93,362)
Gross profit	126,825	122,285	121,308	102,304	76,379
Gross profit margin	41.1%	48.2%	51.8%	50.6%	45.0%
Profit before tax	28,394	79,119	84,664	70,196	45,423
Profit for the year	28,740	78,772	82,753	69,420	45,038
EBITDA	101,984	129,647	123,601	84,715	61,266
Basic earnings per Share (RMB cents)	2.56	6.51	6.78	6.48	5.36

2. SUMMARY OPERATING INFORMATION

Operating information	2021 to 2022	2020 to 2021	Changes	Percentage of changes
Total number of students	29,314	30,689	(1,375)	(4.5%)
Including: Full-time ^①	18,792	18,165	627	3.5%
Continuing education ^①	10,522	12,524	(2,002)	(16.0%)
Student capacity ^②	122.0%	123.8%	(1.8%)	(1.5%)
Student retention rate ^③	88.8%	97.5%	(8.7%)	(8.9%)
Total number of teachers ^④	586	737	(151)	(20.5%)

Notes:

- ^① Full-time includes junior college students and secondary school students in Shijiazhuang Institute of Technology and students in kindergartens; continuing education refers to part-time students in Shijiazhuang Institute of Technology.
- ^② It refers to the capacity of full-time students. The student capacity of Shijiazhuang Institute of Technology as at 31 December 2021 exceeded 100%, which was mainly due to the following two reasons, one was that the calculation of the student capacity of Shijiazhuang Institute of Technology did not take its rented beds into account; and another reason was that Shijiazhuang Institute of Technology implemented a "2+1" school system, where students at the third grade would work at enterprises as interns, no shortage of student apartments would be resulted. In addition, Shijiazhuang Institute of Technology built a new student apartment during the reporting period, and it was put into use gradually, which is expected to be a relief for the student capacity.
- ^③ Retention rate of full-time students.
- ^④ The number represents full-time teachers.



3. ASSETS AND LIABILITIES

	As at 31 December				
	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)	2017 (RMB'000)
Assets and liabilities					
Non-current assets	674,657	515,860	433,330	203,829	183,707
Current assets	699,426	627,210	639,532	552,154	133,704
Current liabilities	553,254	362,764	327,527	170,194	158,318
Net current assets/(liabilities)	146,172	264,446	312,005	381,960	(24,614)
Total assets less current liabilities	820,829	780,306	745,335	585,789	159,093
Total equity	685,787	669,947	672,594	584,905	157,591
Non-current liabilities	135,042	110,359	72,741	884	1,502
Total equity and non-current liabilities	820,829	780,306	745,335	585,789	159,093
Property, plant and equipment	251,954	151,126	140,719	125,541	122,256
Cash and bank balances	334,332	357,700	258,613	259,491	39,864
Interest-bearing bank and other borrowings	446,468	213,961	179,082	13,000	35,106
Deferred revenue	–	–	–	–	57,530
Contract liabilities	101,301	108,495	93,296	71,637	–

Financial ratios	As at 31 December				
	2021	2020	2019	2018	2017
Current ratio	126.4%	172.9%	195.3%	324.4%	84.5%
Debt-to-asset ratio ^①	50.1%	41.4%	37.3%	22.6%	50.4%

Note:

^① Total liabilities divided by total assets.

4. CASH FLOWS FROM OPERATIONS

	For the year ended 31 December				
	2021 (RMB'000)	2020 (RMB'000)	2019 (RMB'000)	2018 (RMB'000)	2017 (RMB'000)
Net cash from operating activities	90,909	129,084	119,112	123,876	66,477



IV. MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS REVIEW

1.1 Overview

Focusing on the operation and content incubation of the education industry, and adhering to the development vision of “promoting the progress of civilization with contents and technologies”, the Company has addressed itself to improving the efficiency and customer experience of education operation by virtue of technologies empowerment. Since the establishment of its first school in 2003, the Company has made notable achievements over the past 20 years to become a comprehensive education group focusing on vocational education and continuing education and actively put the development direction of industry-education integration into practice, with diversified revenue streams and a broad customer base.

Considering improving students’ abilities as our core priority, we are committed to unremittingly providing clients with customized services and solutions based on individual demands. Leveraging on our self-innovated education system and standardized management, we dedicate to offering more friendly and convenient education services to students.

1.2 Movements of business operations during the Reporting Period

On 17 April 2021, Zerui Education, one of the PRC Operating Entities of the Company, and the People’s Government of Gaoyi County of Shijiazhuang City of Hebei Province (the “Gaoyi County Government”) have agreed on the cooperation intention with respect to the industry-education integration and synergetic development in Gaoyi County. Accordingly, the Gaoyi County Government intends to provide a site with a planned area of not less than 1,000 acres for integrated higher education development, where a new campus of Shijiazhuang Institute of Technology will be established. The Gaoyi County Government also intends to provide a site with a planned area of approximately 200 acres as the industry-education integration campus, where local high-tech industries and scientific research institutes would be invited to participate and build a local campus that integrates high-tech industries and education for cultivating high calibre and skilled talents. For details of this cooperation intention with the Gaoyi County Government, please refer to the announcement of the Company dated 18 April 2021.

During the Reporting Period, we commenced the construction work of the new campus of Shijiazhuang Institute of Technology. This project will expand the student capacity of Shijiazhuang Institute of Technology, which will help it reach more enrollment indicators in short term. Thereby, the Group may further expand its scale of vocational education and improve the level and quality of education, so as to lay the foundation for Shijiazhuang Institute of Technology to upgrade to an undergraduate vocational university. In the future, we will build an international university city, with a student capacity of about 30,000. The new campus will be developed in accordance with the goal of cultivating technical application talents, with coordinated development of multiple disciplines, highlighting applied technologies, and forming a multi-disciplinary cross-penetration professional group. We strive to cultivate competitive application-oriented talents for the sustainable development of the region by providing quality education resources, which has played a positive role in promoting the Group’s layout of the pan-vocational education industry ecology. On 4 January 2022, this project was included in the List of Key Construction Projects in Hebei Province in 2022 (《河北省2022年省重點建設項目名單》).

During the Reporting Period, Shijiazhuang Institute of Technology built a new student dormitory, the completion of which has further optimized the living conditions of students while increasing the capacity of the institute.

On 27 July 2021, the Company entered into an agreement with Shandong Commercial Group Co., Ltd (“Lushang Group”), an independent third party, in relation to the establishment of a subsidiary. The Company will collaborate with Lushang Group to continuously optimize the rendering of quality education service business and jointly set up related business in Shandong. Both parties will make good use of their respective strengths in market channels, content technology, and operation management. The subsidiary, established in Shandong, will serve as an in-depth practice of the reform on mixed ownership of state-owned capital and private capital, and actively participate in the domestic economy and the conversion of old and new growth momentum. As each of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) of this transaction is less than 5%, the transaction is not subject to the notification and disclosure requirements under the Listing Rules.



1.3 Our Schools

1.3.1 Overview

As at 31 December 2021, the Company owned 14 schools, including 1 private college under vocational education segment (Shijiazhuang Institute of Technology) and was entrusted with the operation of the west campus of Sifang College. 2 Peijian Tutorial Schools, 3 Shinedao Tutorial Schools and 8 Saintach Kindergartens under quality-oriented education segment.

Schools of the Company	31 December 2021	31 December 2020
Vocational education – College	1	1
Quality-oriented education – Tutorial school	5	13
Quality-oriented education – Kindergarten	8	8
Total	14	22

1.3.2 Student enrollment

As at 31 December 2021, we had 29,314 students enrolled in our schools, including 18,792 full-time students and 10,522 part-time students. The specific details are as follows:

Breakdown of student enrollment	2021–2022 school year	2020–2021 school year	Changes	Percentage of changes
Full-time students				
Vocational education – Shijiazhuang Institute of Technology				
Including: Junior college ^①	13,844	14,128	(284)	(2.0%)
Secondary college	3,232	2,425	807	33.3%
Subtotal (full-time college students)	17,076	16,553	523	3.2%
Quality-oriented education – Saintach Kindergartens	1,716	1,612	104	6.5%
Subtotal (full-time students)	18,792	18,165	627	3.5%
Part-time students				
Vocational education – Shijiazhuang Institute of Technology Continuing education programs ^①	10,522	12,524	(2,002)	(16.0%)
Subtotal (part-time students)	10,522	12,524	(2,002)	(16.0%)
Total	29,314	30,689	(1,375)	(4.5%)

Note:

^① The decrease in the number of students in the continuing education programs for the year ended 31 December 2021 compared to that for the corresponding period of 2020 was mainly due to a decline in enrollment indicators caused by the Double Reduction Opinions of reducing online education pilots in colleges and universities and the policy that the share of offline teaching and directing hours should reach the minimum proportion.



IV. MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2021, our vocational education segment provided the west campus of Sifang College with entrusted operation service and accommodation service for 3,653 students.

For the year ended 31 December 2021, our tutorial schools under quality-oriented education segment delivered approximately 372,150 tutoring hours to approximately 7,623 students. The specific details are as follows:

Operating information	31 December 2021	31 December 2020	Changes	Percentage of changes
Number of tutoring hours delivered ^①	372,150	430,474	(58,324)	(13.5%)
Number of students tutored	7,623	7,762	(139)	(1.8%)
Renewal rate ^①	41.4%	57.4%	(16.0%)	(27.9%)

Note:

^① In view of the Double Reduction Opinions, the Group actively responded to the national education policy to adjust our business structure thus have closed certain K12 business, resulting in a decrease in the number of students tutored as well as the renewal rate.

For the year ended 31 December 2021, there were 37 partner schools under the New Gaokao business of Peijian Tutorial Schools, providing nearly 3,000 students with tutoring and training services, among which, 631 students won the provincial first prizes in school year 2020–2021.

1.3.3 Charge and average tuition revenue

As disclosed in the Prospectus, we charge our students fees comprising tuition (including tutoring fees) and boarding fees, at Shijiazhuang Institute of Technology. Among them, the fee range under quality-oriented education segment approximates to that for the year ended 31 December 2020, whereas the tutoring fee ranges for the junior college courses and secondary college courses at Shijiazhuang Institute of Technology under vocational education segment have changed, as stated in the following table:

Type of course	2021–2022 school year	2020–2021 school year
Vocational education		
Junior college courses	RMB8,800 to RMB13,000 per school year	RMB7,000 to RMB13,000 per school year
Secondary college courses	RMB7,200	RMB6,600

Average Revenue ^①	For the year ended 31 December			
	2021 RMB	2020 RMB	Changes RMB	Percentage of changes
Vocational education	7,662	6,848	814	11.9%
Including: Junior college	7,882	7,018	864	12.3%
Secondary college	6,578	5,852	726	12.4%
Quality-oriented education				
Kindergartens	18,035	6,661	11,374	170.8%

Note:

^① The average revenue earned from each full-time student is calculated based on the revenue generated from tuition fees for a whole fiscal year and the average number of students enrolled as at the beginning and end of the same year.



1.3.4 Employment rate

Shijiazhuang Institute of Technology works to build a modern vocational education system, which adopts the “TOP” talent training model (TOP means “Technique-Occupation-Personality”), to continuously cultivate and deliver application-oriented talents for the society. Benefitting from the outstanding professional knowledge, practical operational skills and professionalism of our graduates, Shijiazhuang Institute of Technology has maintained a relatively high level of employment. For the year ended 31 December 2021, Shijiazhuang Institute of Technology, its teachers and students have won 379 ministerial, provincial and municipal awards, including various awards such as International College Students Hand-painted Art and Design Competition (國際大學生手繪藝術與設計大賽), “Soul of National Art” Building the Chinese Dream and Exhibiting Chinese Soul (「國藝魂」共築中國夢·藝展中華魂), the Fifth “Youth Cup” National College Art and Design Works Competition (第五屆「國青杯」全國高校藝術設計作品大賽), the 12th Lanqiao Cup National Software and Information Technology Experts Competition (第十二屆藍橋杯全國軟件和信息技術專業人才大賽), the Ninth National College Digital Art and Design Competition (第九屆全國高校數字藝術設計大賽), etc.

The employment rate of graduates for the 2020–2021 school year was approximately 96.6%:

Employment rate ^①	31 December 2021	31 December 2020	Changes	Percentage of changes
Vocational education	96.6%	96.1%	0.5%	0.5%

Note:

^① The employment rate refers to the proportion of employed students to the total number of junior college graduates for the year.

1.3.5 Industry-Education Integration and School-Enterprise Cooperation

As at 31 December 2021, under the strategic guidance of the industry-education integration, Shijiazhuang Institute of Technology has established four industrial colleges, involving disciplines such as computer network technology, modern mobile communication technology, railway locomotive operation and maintenance, as well as interior art design (VR). A pattern of industry-education integration has been formed under the premise of long-term college-enterprise cooperation. In an industrial college, the college and the enterprise jointly carry out trainings for students, with the college responsible for public courses and the enterprise responsible for professional courses, and both parties jointly undertake the investment of teachers and curriculum construction.

Besides, we work closely with the Government of Hebei Province. In the proposed cooperation with the Gaoyi County Government, we will obtain 200 mus of industrial park commercial land in Gaoyi County for the construction of industrial parks or industrial technology parks. The internship and training for the students from Shijiazhuang Institute of Technology will be conducted in the industrial parks. In the future, we will further cooperate with the Gaoyi County Government for mutual benefits. With the support of government subsidies, we will open a new campus in Gaoyi County for school construction and student deliver based on the local government’s industrial planning, labor needs, output value goals, and outstanding enterprises that need to be introduced. We will cooperate in depth with enterprises in the technology parks by co-developing new industrial majors or equity investments. We will make use of the education industry resources based on Shijiazhuang Institute of Technology to promote the development of surrounding industrial parks with diversified cooperation, so as to truly realize the industry-education integration as the main direction of vocational education development.



IV. MANAGEMENT DISCUSSION AND ANALYSIS

To fully leverage on the functions of vocational education for serving the society, industries and enterprises, and to explore the vocational education system of diversified education operations, open-minded education, talent lifetime services and integrity monitoring, Shijiazhuang Institute of Technology conducted multi-aspect cooperation in various forms with enterprises to establish a stable relationship of school-enterprise cooperation. As at 31 December 2021, 19 professional programs in Shijiazhuang Institute of Technology has worked with 14 enterprises to jointly offer featured majors, representing 25.7% of professional training programs offered. 22 tailor-made classes were established and 6 on-site training programs were organized involving more than 600 students. It also established long-term cooperation relationship with more than 700 domestic and foreign famous enterprises in total, including 60 top 500 global enterprises such as Haier Group Corporation, Panasonic Corporation and Huawei Technologies Co., Ltd., and invited enterprises to invest over RMB18.3 million in total in the construction of practical training rooms, which considerably enriched our teaching practice. Thanks to the in-depth industry-education integration and school-enterprise cooperation, graduating students do not only have solid professional knowledge, but also excellent practical operation skills and good professionalism.

1.3.6 Our teachers

Teachers	31 December 2021	31 December 2020	Changes	Percentage of changes
Full-time teachers				
Vocational education	379	380	(1)	(0.3%)
Quality-oriented education ^①	207	357	(150)	(42.0%)
Subtotal (full-time teachers)	586	737	(151)	(20.5%)
Part-time teachers				
Vocational education ^②	65	111	(46)	(41.4%)
Quality-oriented education ^①	441	608	(167)	(27.5%)
Subtotal (part-time teachers)	506	719	(213)	(29.6%)
Total	1,092	1,456	(364)	(25.0%)

Notes:

^① In view of the Double Reduction Opinions, the Group actively responded to the national education policy to adjust our business structure, and have closed certain K12 business, resulting in a decrease in the number of both full-time and part-time teachers of the quality-oriented education business.

^② The decrease in the number of part-time teachers was due to the increase of the number of classes given by outstanding part-time teachers.

The quality of education we provide is strongly tied to the quality of our teachers. We prioritize the recruitment of outstanding teachers and strive to maintain the stability of our teachers. As at 31 December 2021, the percentage of our teachers with a bachelor's degree or above was 84.0%; and the percentage of teachers that had worked with us for more than two years was 61%.



1.4 Our Technological Empowerment

Adhering to the corporate mission of “promoting the development of the education industry with contents and technologies”, our educational technology is more focused on empowering the vocational education industry and creating digital colleges.

Building a “Smart Campus (智慧校園)” system to improve the management level of schools and students. Through providing hardware facilities such as network infrastructure, standard examination venues, broadcast and security, as well as improving and upgrading software platforms such as student management system and teaching management system, we built a digital platform that covers all scenarios of students from admission to graduation.

Improving the “Sousou Smart School (嗖嗖智校)” system to equip schools with a cockpit for big data and personalized vocational education. We strived to establish a core platform for “Smart Campus” to provide full life-cycle management of students such as enrollment management, student registration, financial management, online payment, teaching and related administrative affairs, internship and practical training, and targeted employment. At the same time, we combined with the “Smart Campus” network to build knowledge spectrums and behavior models of students.

Building a “Data Center” and “Digital Billboard” to improve the overall operational efficiency of the Group. We established a standardized data chain operation system by re-developing the business process and developing digital pointer system and visualization platform for real-time target tracking, forecasting and data penetration.

“Tianze Talent (天擇人才)” is an integrated platform for employment, entrepreneurship and management services. Catering for students from higher educational institutions and enterprises, it targets positions in industries where there is a shortage of high-skilled talents (such as production, manufacturing and the internet), and facilitates the transformation and upgrade of the talent training model. With an aim of improving the quality of nurturing talent, it is an integrated platform providing coordinated planning and establishing comprehensive management and services of employment and entrepreneurship education, with over 1,000 registered enterprises as well as over 20,000 employment opportunities for graduates.

1.5 Our Licenses and Honors

For the year ended 31 December 2021, the Company has completed the 2021 annual examination and verification of the licenses, permits, approvals and certificates necessary to conduct our operations in all material aspects from the relevant government authorities in the PRC as scheduled, which have remained in full effect.

On 6 January 2021, the Company was invited to participate in the “Capital Market Forum and the 5th Golden Hong Kong Stock Awards Ceremony (資本市場論壇暨第五屆金港股頒獎盛典)” jointly organized by Zhitongcaijing.com and www.10JQKA.com.cn., and won the “Best Education Company (最佳教育公司)” award with its steady growth, increasing comprehensive strength and strong potential for future development in recent years.

On 11 January 2021, the Company was selected as the third batch of members of the Zhongguancun Science City Internet Education Industry Development Alliance (中關村科學城互聯網教育產業發展聯盟) (the “Alliance”). Under the joint advocacy of the Alliance, the Company will continue to provide its customers with high-quality education services, promote the self-regulation of the education industry, facilitate the aggregation and sharing of resources, and contribute to the benign development of the industry.



IV. MANAGEMENT DISCUSSION AND ANALYSIS

On 15 March 2021, the Company was short-listed into the online education list of the “Good Life 2021 Chinese Consumer Brand List (美好生活2021中國消費者品牌榜)” initiated by National Business Daily (每日經濟新聞). As a comprehensive education service provider, the Company began to establish a presence in online education services in 2018 and has the capability of independent research and development of educational technology products. The Company always adheres to the concept of “promoting the development of the education industry with contents and technologies”, and its systematic education service model will continue to boost the organic growth of the industry.

On 12 May 2021, Shijiazhuang Institute of Technology won the provincial-level third prize of “the 10th Vocational Education Teaching Award Prizes in Hebei Province (河北省第十屆職業教育教學成果獎)” organized by the Education Department of Hebei Province.

On 10 December 2021, the Company was invited to participate in the “Global Investment Carnival 2021 (全球投資嘉年華2021)” organized by gelonghui.com, a leading global investment research platform in China, and once again won the “Best Information Disclosure (最佳信息披露)” award for the Best Listed Company in Greater China in 2021 with its consistent high-quality information disclosure.

2. MARKET REVIEW AND NEW REGULATIONS

2.1 Favorable Factors for Vocational Education and Strengthened Cooperation between Government, School, Industry and Enterprise

In May 2021, the Implementation Rules for the Law for Promoting Private Education of the People’s Republic of China (《中華人民共和國民辦教育促進法實施條例》) was officially promulgated, providing encouragement measures for the vocational education institution, modes of school operation, and the curriculum design. In July 2021, the Vocational Education Law of the People’s Republic of China (《中華人民共和國職業教育法》) was amended to emphasize the necessity of participation by various parties including the government and enterprises, which highlighted the importance of vocational training and provided directional guidance for the establishment of a vocational education system. In October 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Promoting the High-quality Development of Vocational Education (《關於推動職業教育高質量發展的意見》), emphasizing the implementation of the spirit of the National Conference on Vocational Education to promote the high-quality development of modern vocational education, accelerate the construction of modern vocational education system and build a skill-based society. By 2025, the type of vocational education will be more distinctive, the modern vocational education system will be basically completed, and the construction of a skill-based society will be fully promoted. By 2035, the overall level of vocational education will be at the forefront of the world, and a skill-based society will be basically built. The revision of the Vocational Education Law of the People’s Republic of China will be accelerated, with relevant local regulations formulated and revised based on actual conditions. The system of vocational education funding with government investment as the main source and multiple channels as a supplement will be improved to optimize the structure of expenditures, and give preference to vocational education for new education funds.

In order to better serve the regional economic development and scale up the skilled talent pool, the schools under the Company completed their basic teaching and research tasks, besides actively working hand in hand with the local governments, industry associations and key enterprises. In the first half of 2021, we were in charge of the compiling of “Shijiazhuang Luquan District Science and Technology Innovation ‘14th Five-Year Plan’ (《石家莊市鹿泉區科技創新「十四五」規劃》)” and were approved as a government research project by Shijiazhuang Science and Technology Bureau.



The schools under the Company continued to improve the quality of training, strived for offering comprehensive major courses, encouraged their teachers to acquire higher academic qualifications, and strengthened their teaching and research capabilities. At the same time, it actively undertook the task for improving the training quality of provincial vocational education in which they are located, and was approved as a “Double-High” construction college of the plan for improving the training quality of Hebei Province vocational education (2020–2023) (河北省職業教育提質培優行動計劃 (2020–2023)) during the first half of 2021.

At the same time, the schools under the Company adhered to the principle of giving equal emphasis to academic education and vocational training in vocational colleges, actively participated in the initiatives in improving vocational skills raised by the local governments and, as part of the community vocational training system, served as designated local vocational training institutions, and conducted governmental vocational education and social training for 3,305 people. Insisting on improving the conventional school-enterprise cooperation mode and participating in the new apprenticeship training pilot program, we have provided new modern apprenticeship trainings for 10 enterprises with 760 participants. Leveraging on their own strengths, the schools under the Company actively expanded their vocational training-related businesses by strengthening their cooperation with the government, school, industry and enterprise, injecting new momentum to the Company.

2.2 Regulation on Compulsory Education Becoming Stricter, While Quality-oriented Education Remaining Under Development

In 2021, a number of policies targeting compulsory education and after-school tutoring were issued. In May 2021, the Implementation Rules for the Law for Promoting Private Education of the PRC (《中國民辦教育促進法實施條例》) was promulgated to impose restriction on the provision, participation, control and connected transactions of compulsory education. Establishment of private-operated schools for compulsory education was even forced to stop in some provinces. In June 2021, the Ministry of Education established the Department for the Supervision of Off-campus Education, followed by the issue of “Notice on Relevant Innovative Measures and Typical Experience for the Promotion of Some After-School Services for Local Compulsory Education (《關於推廣部分地方義務教育課後服務有關創新舉措和典型經驗的通知》)”, showing the determination to enforce strict regulation on after-school tutorial institutions. The Double Reduction Opinions promulgated in July 2021 aims to regulate the institutions providing tutoring service on school curriculum. It explicitly sets out the objective of conscientiously improving the education standard of schools, regulating off-campus tutoring (both online and offline) on an ongoing basis, and reducing the excessive burden of homework and off-campus tutoring on students during the stage of compulsory education. In November 2021, the General Office of the Ministry of Education issued the Guidelines for the Category Identification of Off-campus Tutoring Projects for the Compulsory Education Stage (《義務教育階段校外培訓項目分類鑒別指南》), which aims to strengthen the management of the identification of curriculum-based projects of off-campus tutoring institutions for the compulsory education stage.

The focus of the policies as mentioned above involves the compulsory education period and subjects training. The businesses of some tutorial schools under the Company will be affected and therefore were closed and suspended. The profit of the closed and suspended business accounts for a small proportion of approximately 9.0% of our overall profit and will not have a significant impact on the operation of the Company as a whole. The Company has been expanding its New Gaokao business under the “Foundation Enhancement Program (強基計劃)” since the beginning of 2020, which can mitigate the adverse impact from current policies and lay a strong foundation for its subsequent growth.



3. FUTURE PROSPECTS

3.1 Focusing on New Vocational Education

Since 2016, the PRC has been pursuing for higher quality in respect of the development of vocational education and started the amendment to the Vocational Education Law of the People's Republic of China (《中華人民共和國職業教育法》). In April 2021, the National Vocational Education Conference was convened and important instructions for vocational education were given to emphasize and accelerate the establishment of a modern vocational education system, so as to nurture more outstanding talents in technology and skills. It stated that vocational education was a vital foundation for nurturing talents in technology, facilitating employment, entrepreneurship and innovation, as well as lifting the standard of manufacturing and services in China. At the same time, the implementation of policies proposed by the Ministry of Education to improve the quality of vocational education and nurture talents in various regions and the reform of educational comprehensive evaluation have motivated the development of vocational education, which is different from ordinary school education, in all facets. In October 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions on Promoting the High-quality Development of Vocational Education (《關於推動職業教育高質量發展的意見》), which emphasized on accelerating the construction of a modern vocational education system to build a skill-based society, and clarified the construction goals for 2025 and 2035. Compared with general education, vocational education pays more attention to the characteristics of the educated and it helps them develop professional skills in particular fields, thereby giving each of them an opportunity to light up their life in different fields or positions. This is also a necessary channel to encourage sharing wealth of the community and build a new kind of harmonious society that will benefit everyone's whole life.

The Group will set its focus on new vocational education in the future. Starting with Shijiazhuang Institute of Technology, the Group will keep enriching its continuing education products, from vocational training to life-long education, through internal construction layout of school-enterprise cooperation, external mergers and acquisitions and government-enterprise cooperation to deepen the development of industry-education integration so as to ultimately becoming a comprehensive service provider of new vocational education. The Group will also make adjustments to its existing after-school internship business by rationalizing its product lines strictly in accordance with the requirements under the Double Reduction Opinions and placing the New Gaokao business as the second focus of the Group's development strategy. It will combine the existing "Foundation Enhancement Program" to establish an innovative system of nurturing talents and talents selection, and will provide management and consultation service for high schools in county areas to enhance their integrated competitiveness. In this regard, we have started co-operation with Lushang Group in Shandong and will accelerate the expansion of cooperative business across the PRC based on such model. The Group will perform its social responsibilities through revitalizing the development in rural areas and ensuring the balanced development of education levels.

3.2 Business Optimization and Risk Prevention and Control

The Group will optimize its existing business to extend its service scope and strengthen comprehensive quality training. The Group will retain core staff member and deploy key staff to develop business focus. It will maintain close communications with the government, education, marketing and other authorities of areas in which our schools are located to carry out teaching activities in accordance with laws and regulations, in an attempt to avoid penalties due to incompliance and prepare contingency plans for risk prevention.



4. FINANCIAL REVIEW

4.1 Revenue

We derive revenue primarily from tuition (including tutoring fees) of schools from our students, boarding fees and service income for provision of college operation services to the west campus of Sifang College.

Revenue increased by approximately 21.7% from approximately RMB253.8 million for the year ended 31 December 2020 to approximately RMB308.8 million for the year ended 31 December 2021, mainly due to the increase in student enrollment of Shijiazhuang Institute of Technology and the increase in revenue generated from the quality-oriented education because of the mitigation of the epidemic.

4.2 Cost of Sales

Cost of sales primarily consisted of staff costs, rental fees, depreciation and amortization and utilities.

Cost of sales increased by approximately 38.3% from approximately RMB131.5 million for the year ended 31 December 2020 to approximately RMB181.9 million for the year ended 31 December 2021, mainly due to (1) the increase in the staff costs of Shijiazhuang Institute of Technology; (2) the increase in the depreciation and amortization as a result of the increased assets; and (3) the normalization of the teaching activities of Shijiazhuang Institute of Technology and the quality-oriented education driven by the ease of covid-19 pandemic, which led to an increase in cost.

4.3 Gross Profit and Gross Profit Margin

The amount of gross profit increased by approximately 3.7% from RMB122.3 million for the year ended 31 December 2020 to RMB126.8 million for the year ended 31 December 2021, and the gross profit margin decreased from approximately 48.2% for the year ended 31 December 2020 to approximately 41.1% for the year ended 31 December 2021, mainly due to the significant increase in the revenue of Shijiazhuang Institute of Technology and the increase in gross profit resulting from the full resumption of teaching activities of quality-oriented education, which in turn increase cost of sales, leading to the decrease in gross profit margin.

4.4 Other Income and Gains

Other income and gains consisted of (1) investment income; (2) interest income received from bank and other loans; and (3) increase in fair value changes. Other income and gains increased by approximately 41.8% from approximately RMB42.2 million for the year ended 31 December 2020 to approximately RMB59.8 million for the year ended 31 December 2021, mainly due to the increase in fair value changes of external investments.

4.5 Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of salaries and other benefits for recruitment and advertising staff, advertising expenses and student recruitment expenses.

Selling and distribution expenses increased by approximately 34.3% from approximately RMB13.3 million for the year ended 31 December 2020 to approximately RMB17.9 million for the year ended 31 December 2021, mainly due to the increase in enrollment costs, which led to an increase in selling and distribution expenses.



IV. MANAGEMENT DISCUSSION AND ANALYSIS

4.6 Administrative Expenses

Administrative expenses consisted of salaries and other benefits for general administrative staff and office related expenses.

Administrative expenses increased by approximately 26.8% from approximately RMB56.1 million for the year ended 31 December 2020 to approximately RMB71.2 million for the year ended 31 December 2021, mainly due to the increase in cost of share based payment which led to an increase in administrative expenses.

4.7 Other Expenses

Other expenses mainly consisted of (1) the impairment of goodwill and intangible assets arising from the acquisition of Shinedao Tutorial Schools; (2) the impact from changes of long-term lease; and (3) expenses relating to loss on disposal of various fixed assets.

Other expenses increased to approximately RMB42.5 million for the year ended 31 December 2021 from approximately RMB3.7 million for the year ended 31 December 2020, mainly due to (1) the impairment of goodwill and intangible assets arising from the acquisition of Shinedao Tutorial Schools amounted to RMB16.8 million; and (2) decrease in fair value change of financial instruments amounted to RMB19.8 million.

4.8 Finance Costs

Finance costs mainly represented interest on loans borrowed from financial institutions, financial advisory service charges and interest on lease liabilities.

Finance costs increased by approximately 118.0% from approximately RMB12.2 million for the year ended 31 December 2020 to approximately RMB26.6 million for the year ended 31 December 2021, mainly due to the increasing amounts of loans from financial institutions.

4.9 Taxation

Income tax decreased to tax credit of RMB0.3 million for the year ended 31 December 2021 from tax expense of RMB0.3 million for the year ended 31 December 2020, mainly due to the decrease in profits generated from the quality-oriented education and the reversal of deferred tax liability for impairment of other intangible asset, which led to the decrease in income tax expenses.

4.10 Profit for the Year

Due to the above factors, the Company's profit for the year decreased from approximately RMB78.8 million for the year ended 31 December 2020 to approximately RMB28.7 million for the year ended 31 December 2021.

4.11 Net Liquidity and Capital and Funds and Borrowing Sources

As at 31 December 2021, net current assets of the Company were approximately RMB146.2 million, which mainly consisted of prepayments, other receivables and other assets, term deposits, pledged deposits and cash and bank balances.

As at 31 December 2021, current assets increased from approximately RMB627.2 million as at 31 December 2020 to approximately RMB699.4 million. The increase in current assets was mainly due to the increase in prepayments, deposits, other receivables and other current assets.

As at 31 December 2021, current liabilities increased from approximately RMB362.8 million as at 31 December 2020 to approximately RMB553.3 million. The increase in current liabilities was mainly due to the increase in interest-bearing bank and borrowings.



As at 31 December 2021, current ratio of the Company (current assets divided by current liabilities) was 126.4%, as compared with 172.9% as at 31 December 2020. The decline in current ratio was mainly due to the increase in total current liabilities such as interest-bearing bank and borrowings and contract liabilities.

In order to manage the liquidity risk, the Company monitored and maintained a sufficient level of cash and cash equivalents, which is deemed adequate by the management, as the working capital of the Company, and to eliminate the impact of cash flow fluctuations. The Company expects that it can meet the cash flow requirement in the future with internal cash flow generated by operations and bank borrowings. The Company did not adopt other financial instruments for the year ended 31 December 2021.

4.12 Gearing Ratio

As at 31 December 2021, the gearing ratio (calculated by total liabilities divided by total assets) was approximately 50.1%, representing an increase of 8.7% from approximately 41.4% as at 31 December 2020, which was mainly due to the increase in total interest-bearing bank loans.

4.13 Major Investment

Save as disclosed in this annual report, the Company has no other plans for major investment and capital assets.

4.14 Major Acquisitions and Disposals

On 5 November 2021 (after trading hours), Shijiazhuang Institute of Technology (an indirect wholly-owned subsidiary of the Company) entered into an assets restructuring agreement with Lionful Education Investment Co., Ltd.* (河北廿一世紀教育投資有限公司), pursuant to which one library, one auto training center, four canteens and six dormitory buildings would be acquired by the Group. The total consideration of the acquired properties was RMB310,000,000, among which RMB200,000,000 was for related buildings and ancillary facilities and RMB110,000,000 was for the land use right. For details, please refer to the major and connected transaction announcement and circular of the Company dated 5 November 2021 and 26 November 2021, respectively. The change in the ownership of the acquired properties was expected to complete in July 2022.

4.15 Contingent Liabilities

As at 31 December 2021, the Company did not have any material contingent liabilities, guarantees or any material litigation or claims, pending or threatened against any member of the Company (31 December 2020: Nil).

4.16 Foreign Exchange Risk

As at 31 December 2021, certain bank balances of certain subsidiaries were denominated in RMB, Hong Kong dollars or US dollars which were different from the certain subsidiaries' functional currencies. The Company currently does not have any foreign exchange hedging policy. The management will continue to monitor the foreign currency exchange risk of the Company and consider taking prudent measures in due course.

4.17 Pledge of Asset

For the year ended 31 December 2021, the Group pledged bank deposits of RMB187.0 million (31 December 2020: RMB187.0 million) for obtaining two bank facilities, of which RMB110.0 million (31 December 2020: RMB110.0 million) was unutilized as at 31 December 2021.



4.18 Events after the Reporting Period

On 7 March 2022, Shijiazhuang Zerui, an indirect wholly-owned subsidiary of the Company, successfully won the bid for the land use right of a land located in Gaoyi County, Shijiazhuang City, Hebei Province, the PRC at a total consideration of RMB56.1 million, and entered into a confirmation letter with Public Resources Trading Centre of Gaoyi County accordingly. The land is located in the southeast of Wancheng Village* (萬城村), Wancheng Town* (萬城鎮), Gaoyi County, Shijiazhuang, Hebei Province, the PRC, with a total site area of 74,254.99 square meters. The land with a land use right of 50 years for educational purposes will be used to construct the new campus of Shijiazhuang Institute of Technology. Please refer to the announcement of the Company dated 7 March 2022 for details.

As at the date of this annual report, the Board has resolved to propose a final dividend of HK0.63 cents per Share for the year ended 31 December 2021.

4.19 Human Resources

As at 31 December 2021, the Group had approximately 1,330 employees (31 December 2020: 1,532 employees). The remuneration policy and treatment of the Group's employees are regularly reviewed in accordance with industry practice and the performance of the Group. The Group provided external and internal training programs to its employees. As required by relevant PRC laws and regulations, the Group participated in various employee social security plans that are administered by local governments, including but not limited to, housing, pension insurance, medical insurance and unemployment insurance.



EXECUTIVE DIRECTORS

Mr. Li Yunong (李雨濃) (formerly known as Li Desong (李德頌)), aged 57, is one of the controlling shareholders and founders of the Group. Mr. Li was appointed as the chairman of the Board and an executive Director in January 2017 and has served as a director of Shijiazhuang Institute of Technology since May 2003, mainly responsible for the overall formulation of business strategies and development guidance of the Group. Mr. Li has more than 23 years of experience in the education industry.

Mr. Li served as a teacher in Hebei Institute of Physical Education* (河北體育學院) from July 1985 to October 1990 and he was engaged as a scriptwriter in Shijiazhuang Institute of Art* (石家莊藝術研究所, currently known as the Institute of Culture and Arts of Shijiazhuang City* (石家莊市文化藝術研究所)) from November 1990 to October 1994. Mr. Li has been serving as the art director in the Hebei Youth Television Culture and Art Center* (河北青年電視藝術中心) from November 1994. Since January 2004, Mr. Li has been acting as the chairman of the board of directors of Lionful Investment Holding Co., Ltd. (新聯合投資控股有限公司) ("Lionful Investment Holding").

Mr. Li graduated from Hebei University (河北大學) in Baoding City, Hebei Province, the PRC, with a bachelor's degree in economics in July 1985 and Tsinghua University (清華大學) in Beijing, the PRC, with a master's degree in business administration for senior management in January 2006. Mr. Li is the father of Mr. Li Yasheng (an executive Director).

Ms. Liu Hongwei (劉宏煒), aged 39, was appointed as an executive Director in January 2017 and appointed as the chief executive officer of the Company in January 2019, mainly responsible for the overall operation, development and daily management of the Group. Ms. Liu has more than 11 years of experience in the education industry and more than 17 years of experience in corporate management.

From June 2004 to May 2010, Ms. Liu held various positions in different branch offices of Hebei 1+2 Real Estate Brokerage Co., Ltd.* (河北壹加貳房地產經紀有限公司), including the manager of marketing department and the manager of operation management department and the general manager. Ms. Liu joined the Group in May 2010 and has successively served in Shijiazhuang Saintach as the manager of operation management department, the assistant to the general manager, the deputy general manager and the general manager since then. From August 2013 to August 2017, Ms. Liu served as the assistant to the president and the vice president of Lionful Education, successively. From January 2017 to January 2019, she served as the executive president of the Company. Since 2014, she has been the vice chairman of Shijiazhuang Association for Non-government Education.

Ms. Liu graduated from Hebei University (河北大學) in Baoding City, Hebei Province, the PRC, majoring in law in July 2003, and obtained a master's degree in business administration in January 2015.

Mr. Ren Caiyin (任彩銀), aged 45, was appointed as an executive vice president and an executive Director in January 2017, and was the president of vocational education segment of the Company, mainly responsible for the overall operation and daily management of the higher education section of the Group. Mr. Ren has more than 17 years of experience in the education industry.

Mr. Ren joined the Group in October 2004 as a teacher of Shijiazhuang Institute of Technology and has served in several positions successively, including the head of the teaching and research section, the dean of economics and management college, the assistant to the dean, the executive vice dean and the executive dean since then. Mr. Ren has been a director and the executive vice president of Lionful Education from June 2016 to August 2017. He has served as a director of Hebei Saintach since September 2016.

Mr. Ren graduated from Northeast Forestry University (東北林業大學) in Harbin City, Heilongjiang Province, the PRC, with a bachelor's degree in forestry in July 2001 and a master's degree in ecology in June 2004. He is a doctoral candidate in management at Hebei University of Technology (河北工業大學). He obtained the qualification as a teacher in higher education granted by the Education Department of Hebei Province (河北省教育廳) in December 2007 and obtained the title of associate professor granted by the Title Reform Leading Group Office of Hebei Province* (河北省職稱改革領導小組辦公室) (the "Hebei Title Reform Office") in December 2016.



V. DIRECTORS AND SENIOR MANAGEMENT

Ms. Yang Li (楊莉), aged 50, was appointed as an executive Director in February 2017, mainly responsible for the research on marketing strategies of the Group. Ms. Yang has more than 17 years of experience in the education industry and more than 17 years of experience in accounting and financing.

Ms. Yang served as the deputy director of the financial department of Shijiazhuang Jingang Internal-combustion Engine Parts Group Co., Ltd.* (石家莊金剛內燃機零部件集團有限公司) from July 1993 to January 2001. Ms. Yang joined the Group in January 2001 as an accountant in Lionful Education. She ceased to be an accountant in January 2004, and served as the financial manager from January 2004 to January 2005 and successively as the investment manager and the strategic planning manager in the strategy development department from January 2005 to August 2017. Ms. Yang served as a director in Shijiazhuang Saintach from June 2013 to April 2015 and as a director in Hebei Saintach from July 2013 to December 2015. Ms. Yang served as a director in Lionful Education from July 2013 to October 2016.

Ms. Yang graduated from Shaanxi Institute of Mechanical Engineering* (陝西機械學院, currently known as Xi'an University of Technology* (西安理工大學)) in Xi'an City, Shaanxi Province, the PRC, with a bachelor's degree of engineering in July 1993, and Renmin University of China (中國人民大學) in Beijing, the PRC, with a master's degree in economics in June 2009. She obtained the practicing qualification certificate of registered tax agent in September 2002 and the qualification certificate of senior accountant in November 2015, both granted by the Hebei Title Reform Office. She was granted the certified public accountant certificate by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in December 2002.

Mr. Li Yasheng (李亞晟), aged 26, was appointed as an executive Director in March 2021. Mr. Li joined the Group in 2017, and served as the investment director of the strategic investment department from December 2017 to December 2019 and an assistant to the president of the Company from January 2020 to November 2020.

Mr. Li graduated from New York University Leonard N. Stern School of Business with a bachelor's degree in finance and market management in 2017. Mr. Li is the son of Mr. Li Yunong (a controlling shareholder and an executive Director).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Guo Litian (郭立田), aged 71, was appointed as an independent non-executive Director in January 2017 and is responsible for providing independent opinion and judgment to the Board.

Prior to joining the Group, Mr. Guo successively served in Hebei University of Economics and Business (河北經貿大學) as the dean of accounting college, the secretary of party committee and the dean of economics and management college, and the director of disciplinary construction and degree management office from June 1998 to May 2008. Mr. Guo served as a supervisor to postgraduate students in Hebei University of Economics and Business from May 2008 until he retired in March 2016.

Mr. Guo graduated from Hebei College of Finance and Trade* (河北財貿學院) (currently known as Hebei University of Economics and Business (河北經貿大學) in Shijiazhuang City, Hebei Province, the PRC, with a bachelor's degree in economics in July 1982. He obtained the title of professor (specialized in business administration) by the Hebei Title Reform Office in August 1997 and was awarded as a Brilliant Accounting Worker in Hebei Province (河北省優秀會計工作者) by the Finance Department of Hebei Province* (河北省財政廳) in August 2005.



Mr. Yao Zhijun (姚志軍), aged 51, was appointed as an independent non-executive Director in January 2017 and is responsible for providing independent opinion and judgment to the Board.

Prior to joining the Group, he served as the head and the legal representative of Hebei Huayide Certified Public Accountants* (河北華益德會計師事務所有限公司) from January 2004 to November 2005, the head of Beijing China Enterprise Appraisals Juncheng Certified Public Accountants* (北京中企華君誠會計師事務所) Hebei Branch from December 2005 to November 2008, and the head of Zhongxinghua Fuhua Certified Public Accountants* (中興華富華會計師事務所) Hebei Branch from December 2008 to January 2012. From February 2012 to September 2021, he served as the general manager of Ruihua Certified Public Accountants (Special General Partnership)* (瑞華會計師事務所(特殊普通合夥)) Hebei Branch. Since September 2021, he has been serving as the general manager of Zhongshenzhonghuan Certified Public Accountants (Special General Partnership)* (中審眾環會計師事務所(特殊普通合夥)) Hebei Branch.

Mr. Yao graduated from Hebei College of Finance and Economics* (河北財經學院) (currently known as Hebei University of Economics and Business (河北經貿大學)) in Shijiazhuang City, Hebei Province, the PRC, with a bachelor's degree in economics in June 1994. He was accredited as a certified public accountant by the Hebei Institute of Certified Public Accountants (河北省註冊會計師協會) in June 1999 and as a senior accountant granted by the Hebei Title Reform Office in November 2005. He obtained the qualification of certified public valuer approved by China Appraisal Society (中國資產評估協會) in April 2000. In July 2005, Mr. Yao was awarded as a Brilliant Certified Accountant in Hebei Province and in March 2015, he was awarded as a senior fellow member by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Mr. Wan Joseph Jason (尹宸賢), aged 49, was appointed as an independent non-executive Director in March 2019 and is responsible for providing independent opinion and judgment to the Board. Mr. Wan has over 23 years of experience in investment banking, corporate finance and regulatory areas.

Prior to joining the Group, Mr. Wan worked with various reputable international financial institutions and the Listing Division of the Hong Kong Exchanges and Clearing Limited. Mr. Wan is currently the deputy general manager and the head of Investment Banking Department of Dongxing Securities (Hong Kong) Financial Holdings Limited (東興證券(香港)金融控股有限公司) which is an affiliated member of China Orient Asset Management Corporation (中國東方資產管理公司), and a responsible officer licensed under the Securities and Futures Ordinance under Chapter 571 of the Laws of Hong Kong (the "SFO") to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. From May 2018 to April 2020, Mr. Wan served as an independent non-executive director of Forgegame Holdings Limited (雲遊控股有限公司) (a company listed on the Stock Exchange, stock code: 00484).

Mr. Wan graduated from the University of Southern California in May 1994 with a double bachelor's degree in economics and finance.

SENIOR MANAGEMENT

Ms. Liu Tianhang (劉天航), aged 42, was appointed as an executive vice president of the Company in November 2020, primarily responsible for the investment, merger and acquisition system and capital operation of the Group. Ms. Liu has over 17 years of experience in investment, merger and acquisition as well as market value management.

From 2013 to 2018, Ms. Liu was the managing director of ZZ Capital Management Company Limited (中植資本管理有限公司) and the executive director and general manager for cultural media industry. Ms. Liu joined the Group in 2019 and served as the vice president of the Company from November 2019 to November 2020.

In 2002, Ms. Liu graduated from Northeast Normal University (東北師範大學) with a bachelor's degree of science in geography. She obtained a master's degree in law from Southwest University of Political Science and Law (西南政法大學) in 2005, and earned her professional qualification in law in March 2004.



V. DIRECTORS AND SENIOR MANAGEMENT

Ms. Wang Lijing (王利靜), aged 41, was appointed as the executive vice president of the Company in January 2017, primarily responsible for the overall operation and daily management of New Gaokao education of the Group. Ms. Wang has over 18 years of experience in the education industry and corporate management.

Ms. Wang joined the Group in July 2003, and worked as an editor of education publicity department and human resources manager of human resource department of Lionful Education from July 2003 to March 2005 and as the secretary of Youth League Committee of Shijiazhuang Institute of Technology from March 2005 to May 2010. From May 2010 to July 2011, Ms. Wang served as the principal of Shijiazhuang City Qiaoxi District Blue Crystal Saintach Kindergarten* (石家莊市橋西區新天際藍水晶幼兒園) (“Blue Crystal Kindergarten”). From July 2013 to July 2018, Ms. Wang served as a member of the second session of the Preschool Education Committee of The Chinese Association for Non-government Education (中國民辦教育協會學前教育專業委員會). Since July 2011, Ms. Wang has successively served as the assistant to general manager, deputy general manager and general manager of Hebei Saintach. Since December 2015, Ms. Wang has been serving as a director of Hebei Saintach. From June 2016 to January 2017, she was appointed as the president of quality-oriented education section of the Company. Since July 2018, Ms. Wang has been serving as the vice chairman of the third session of the Preschool Education Committee of The Chinese Association for Non-government Education (中國民辦教育協會學前教育專業委員會) for a term of five years. Since October 2018, Ms. Wang has been serving as the chairman of the Practical Teaching Committee of the Preschool Education and Occupational Education Group of Hebei Province (河北省學前教育職教集團).

Ms. Wang graduated from Hebei University (河北大學) in Baoding City, Hebei Province, the PRC, with a bachelor’s degree of art in Chinese literature (漢語言文學) in June 2003, and received a master’s degree in business administration from Yunnan Normal University in December 2020. She obtained the qualification as a teacher of higher education granted by the Education Department of Hebei Province (河北省教育廳) in December 2005. In May 2018, Ms. Wang obtained the preschool education certificate from American Montessori Society (AMS).

Mr. Wang Yongsheng (王永生), aged 52, was appointed as the vice president and chief financial officer of the Company in November 2015, primarily responsible for the financial management and fund planning of the Group. Mr. Wang has over 28 years of experience in accounting and finance.

From August 1993 to July 2005, Mr. Wang served as an accountant of Shijiazhuang Chemical Fiber Co., Ltd.* (石家莊化工纖維有限公司). From July 2005 to November 2007, Mr. Wang worked as the chief financial officer of Shijiazhuang Yongtong Chemical Co., Ltd.* (石家莊永通化工有限公司) and as the investment and budget manager of Lionful Investment Holding from November 2007 to March 2009. Mr. Wang joined the Group in April 2009 and served as an assistant to president of Shijiazhuang Institute of Technology from April 2009 to April 2011. He served as the assistant to general manager of Shijiazhuang Saintach from April 2011 to April 2014. From April 2014 to August 2017, Mr. Wang successively served as the deputy chief financial officer, chief financial officer and vice president of Lionful Education.

Mr. Wang graduated from Zhengzhou Textile Institute of Technology* (鄭州紡織工學院) (currently known as Zhongyuan University of Technology (中原工學院)) in Zhengzhou City, Henan Province, the PRC, with a junior college graduation certificate in industrial accounting in July 1993 and graduated from Zhengzhou University (鄭州大學) in Zhengzhou City, Henan Province, the PRC, with a bachelor’s degree in accounting in June 2012. He obtained the accountant certificate granted by the Ministry of Finance in May 1997.



Mr. Wei Lei (魏雷), aged 41, was appointed as the vice president of the Company in February 2020, primarily responsible for the overall operation as well as management of human resources and administrative affairs of the Group. Mr. Wei has over 13 years of experience in corporate management and human resources management.

From 2005 to 2010, Mr. Wei successively served as the deputy chief and chief of the corporate management and human resources section of Shijiazhuang Zhengyuan Chemical Co., Ltd.* (石家莊正元化工有限公司). From July 2010 to November 2012, he successively served as the assistant general manager and general manager of human resources department of Lionful Investment Holding. From December 2012 to April 2014, he served as an assistant to the president of Beijing Yi Jia Er United Real Estate Holdings Co., Ltd.* (北京壹加貳聯合不動產控股有限公司). From May 2014 to December 2016, he served as the general manager of the human resources and administration department of Lionful Investment Holding. From January 2017 to September 2018, he served as the vice president of Hebei Anlian Real Estate Development Co., Ltd.* (河北安聯房地產開發有限公司) Ningbo Branch. Mr. Wei joined the Group in October 2018, and served as the dean assistant of Shijiazhuang Institute of Technology and an assistant to the president of the Company from October 2018 to January 2020.

Mr. Wei graduated from Hebei University of Technology (河北工業大學) with a bachelor's degree in business administration in 2005. He graduated from Hebei University (河北大學) in 2015 with a master's degree in business administration. In 2011, he obtained the title of senior human resources management professional.

Mr. Sun Peng (孫鵬), aged 40, was appointed as the vice president of the Company in March 2021, primarily responsible for the financial management and innovation of the Group. Mr. Sun has over 14 years of experience in the investment and financing in capital market, capital operation and corporate management.

From 2008 to 2013, Mr. Sun worked in KPMG and Ping'an Securities Co, Ltd. engaging in financing and audit, and listing service for enterprises. From 2013 to 2017, he served as the chief financial officer and a partner of Zhongzhi Capital Management Company Limited, responsible for financial management, financing and listing, etc. From 2017 to 2021, he served as the vice president and chief investment officer of Beautiful China Holdings Company Limited (a company listed on the Stock Exchange (stock code: 00706)), responsible for the investment and financing, and capital operation of that company.

Mr. Sun graduated from the School of International Trading of Shandong Economics University (山東經濟學院國貿學院) in 2004 with a bachelor's degree in international economics and trading. He obtained his master's degree in finance from the School of Finance of Central University of Finance and Economics (中央財經大學金融學院) in 2008. In 2009, he was granted the certified public accountant certificate by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會), and obtained his qualified certificate as a Chartered Financial Analyst in 2010.

Mr. Yang Yang (楊洋), aged 38, was appointed as a joint company secretary of the Company in October 2021, primarily responsible for the corporate governance, compliance disclosure, investor relations and public relations management of the Group. Mr. Yang has over 16 years of experience in the board affairs management, corporate governance and information disclosure management, capital operations and investor relations management of listed companies.

From 2007 to 2009, Mr. Yang served as the assistant to the chairman and investor relations officer of V1 Group Limited (第一視頻集團有限公司) (currently known as Crazy Sports Group Limited (瘋狂體育集團有限公司)) (a company listed on the Stock Exchange (stock code: 00082)). From 2010 to 2012, he served as the deputy director of the board office and investor relations manager of HanKore Environment Tech Group Limited (漢科環境科技集團有限公司) (a company previously listed on Singapore Exchange). From August 2012 to June 2015, he served as the head of the board office and investor relations manager of SPT Energy Group Inc. (華油能源集團有限公司*) (a company listed on the Stock Exchange (stock code: 01251)). From June 2015 to June 2019, he served as an investor relations director of PW Medtech Group Limited (普華和順集團公司) (a company listed on the Stock Exchange (stock code: 01358)).

Mr. Yang graduated from University of Sunderland in the United Kingdom with a bachelor's degree in business administration in 2005. He obtained a master's degree in project management from University of Sunderland in the United Kingdom in 2007.



V. DIRECTORS AND SENIOR MANAGEMENT

Mr. Mao Lei (毛磊), aged 65, professor and supervisor of postgraduates, joined the Group in January 2019 and was appointed as the principal of Shijiazhuang Institute of Technology, primarily responsible for the teaching management of Shijiazhuang Institute of Technology. Mr. Mao has over 33 years of experience in the education industry.

From September 1992 to March 1996, Mr. Mao successively served as the deputy director and director of the teaching and research section of Hebei Institute of Mechanical and Electrical Engineering (河北機電學院), secretary to the party branch of the teaching and research section, and member of the general party branch of the department. From June 1998 to December 2012, Mr. Mao successively served as the deputy director of the academic affairs office and deputy director of the department of materials, dean of the school of material science and engineering, deputy director of the academic committee and director of the academic affairs office of Hebei University of Science and Technology (河北科技大學). Mr. Mao served as the vice principal of Hebei GEO University (河北地質大學) from December 2012 to December 2017. Since September 2001, Mr. Mao has served as a director of Chinese Heat Treatment Society (全國熱處理學會) and the chairman of Hebei Heat Treatment Society (河北省熱處理學會).

Mr. Mao graduated from Hebei Institute of Mechanical and Electrical Engineering (河北機電學院) in Shijiazhuang City, Hebei Province, the PRC in March 1982 with a bachelor's degree in engineering. He graduated from Northeastern Institute of Technology (東北工學院) (currently known as Northeastern University (東北大學)) in Shenyang City, Liaoning Province, the PRC in January 1989 with a master's degree in engineering.

Save as disclosed above, there is no other information concerning the relationship between any of the Directors or senior management members and other Directors or senior management members or substantial shareholders or controlling shareholders.



The Board is pleased to present the audited consolidated financial statements of the Group during the Reporting Period.

- **COMPANY PROFILE AND INITIAL PUBLIC OFFERING**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 20 September 2016. The principal place of business of the Company in Hong Kong is located at 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The Shares were listed on the Main Board of the Stock Exchange on 29 May 2018 (the “Listing”).

- **PRINCIPAL ACTIVITIES**

The Company is a large well-established private education service provider based in the Beijing-Tianjin-Hebei region. Committed to our core philosophy of “Assisting you in your whole life”, we unremittingly provide clients with customized services and solutions based on individual demand, including the preschool students in our kindergartens, as well as the junior college, technical secondary school and continuing education students enrolled in our colleges.

The activities and particulars of the Company’s subsidiaries are set out in note 1 to the consolidated financial statements. An analysis of the Group’s revenue and net results for the year by principal activities is set out in the section headed “Management Discussion and Analysis” in this annual report.

- **RESULTS**

The 2021 annual results of the Company and the Group and their financial position as at 31 December 2021 are set out in the audited consolidated statement of profit or loss and other comprehensive income on page 130 and the audited consolidated statement of financial position on pages 131 to 132, respectively in this report.

- **FINANCIAL SUMMARY**

The results of the Group for the past five financial years are set out in the section headed “Financial and Operating Highlights” on pages 6 to 7 of this annual report. The summary does not form part of the audited consolidated financial statements.

- **BUSINESS REVIEW**

Please refer to the section headed “Management Discussion and Analysis” on pages 8 to 20 of this report for details of the 2021 business conditions and the 2022 outlook of the Company and the Group.

In 2021, the Company and the Group strictly complied with the relevant laws, regulations and environmental policies in China, with a corresponding mechanism for compliance operation in place.



• MAJOR RISKS AND UNCERTAINTIES

We are exposed to the risks relating to our business, industry and regulatory changes, including but not limited to the following:

- our business operations and prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to implement such strategies, plans, objectives and goals;
- our ability to maintain or increase student enrollment;
- our ability to maintain or raise tuition;
- our ability to maintain or increase our school utilization;
- the prolonged impact of the “COVID-19” epidemic on the overall economic conditions and the industry in which we operate;
- our capital expenditure programs and future capital requirements;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control costs;
- our dividend policy;
- the extent, nature and potential of the future development of our business;
- capital market developments; and
- the actions and developments of our competitors.

For details of the risk factors, please refer to the “Risk Factors” in the Prospectus and the section headed “Market Review and New Regulations” in the “Management Discussion and Analysis” of this report. Investors are advised to make their own judgments or consult their investment advisors before making any investment in the Shares.



- **ENVIRONMENTAL POLICIES AND PERFORMANCE**

As an education enterprise, the Company does not cause any material impact on the environment during its daily operations. Despite this, the Company remains highly attentive to environmental protection, advocates the concept of low-carbon operation, and strives to integrate the concept of environmental protection into the cultivation and education of the new generation. During the Reporting Period, the Company did not have any non-compliance relating to environmental protection. The details are set out in the Environmental, Social and Governance (“ESG”) report on pages 77 to 124 of this annual report.

- **KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS**

The Group understands the importance of the support from employees, suppliers and customers to the achievement of its goals. Therefore, the Group maintains good relations with its employees, suppliers and customers.

- **PROPERTY, SCHOOL PREMISES AND EQUIPMENT**

Changes in the property, school premises and equipment of the Company and the Group in 2021 are set out in note 13 to the audited consolidated financial statements.

- **SHARE CAPITAL**

As of the issue date of this report, the authorized share capital of the Company was HK\$300,000 divided into 30,000,000 Shares of HK\$0.01 each. As of the issue date of this report, the Company had 1,164,882,000 issued and paid-up Shares. Details of the changes in the share capital of the Company during the Reporting Period are set out in note 28 to the consolidated financial statements in this annual report.

- **TAXATION**

The information on the taxation of the Company and the Group in 2021 is set out in note 10 to the audited consolidated financial statements.

- **EVENTS SUBSEQUENT TO THE REPORTING PERIOD**

Details of the events of the Group subsequent to the Reporting Period are set out in note 4.18 to the section headed “Management Discussion and Analysis” of this annual report.



VI. REPORT OF THE DIRECTORS

• **DISTRIBUTABLE RESERVE**

Details of the changes in the reserve of the Company and the Group in 2021 are set out in note 39 to the consolidated financial statements and the audited consolidated statement of changes in equity on pages 133 to 134. The reserve distributable to the Shareholders amounted to approximately RMB195 million as at 31 December 2021.

• **PROFIT DISTRIBUTION**

The Board recommends a final dividend of HK0.63 cents per Share for the year ended 31 December 2021. Subject to approval by the Shareholders at the AGM to be held on 28 June 2022, the final dividend will be paid on 29 July 2022 to the Shareholders whose names appear on the register of members of the Company on 22 July 2022.

• **ANNUAL GENERAL MEETING**

The Company will hold the AGM on Tuesday, 28 June 2022. A notice convening the AGM will be published and dispatched to the Shareholders in due course.

• **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the entitlement of Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 23 June 2022 to Tuesday, 28 June 2022, both days inclusive, during which no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 22 June 2022.

In order to determine the eligibility of Shareholders to receive the proposed final dividend, the register of members of the Company will be closed from Friday, 15 July 2022 to Friday, 22 July 2022, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for the proposed final dividend, all transfer documents of Shares together with the relevant share certificates must be delivered to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 14 July 2022.



• USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

On 29 May 2018, the Company issued 360,000,000 Shares at a price of HK\$1.13 per Share pursuant to the initial public offering of Shares, with the total proceeds of approximately HK\$393 million and the Shares listed on the Main Board of the Stock Exchange. On 17 June 2018, the Company issued 36,000,000 Shares at a price of HK\$1.13 per Share pursuant to a partial exercise of over-allotment options relating to the listing of Shares, with the total proceeds of approximately HK\$40.7 million. The net proceeds from the listing of Shares (net of underwriting fees and relevant expenses) amounted to approximately HK\$433 million. The amount will be applied in the manners as set out in (i) the section headed "Future Plans and Use of Proceeds" in the Prospectus; (ii) the announcement of the Company dated 12 June 2019 in relation to the change in use of proceeds; and (iii) the announcement of the Company dated 9 March 2022 in relation to the change in use of proceeds (the "Announcement").

Set out below is the use of net proceeds from the initial public offering for the year ended 31 December 2021 and as at the date of the Announcement:

	Original use of net proceeds ⁽¹⁾ (HK\$ million)	Actual use of net proceeds up to 31 December 2021 (HK\$ million)	Utilized amount in 2021 (HK\$ million)	Remaining balance up to 31 December 2021 (HK\$ million)	Revised use of proceeds as at the date of the Announcement ⁽²⁾ (HK\$ million)	Remaining balance up to the date of the Announcement (HK\$ million)	Expected timeline of full utilization of the remaining balance ⁽³⁾
Invest in, acquire and rebrand the domestic and overseas vocational education and quality-oriented education training schools and junior and undergraduate colleges	173.2	133.7	40.1	39.5	133.7	–	Fully utilized
Expand the Saintach Tutorial Center network in the Integrated Area through acquisition of third-party tutorial schools primarily engaged in providing small group tutoring services	86.6	62.2	13.0	24.4	62.2	–	Fully utilized
Investment in new campus of Shijiazhuang Institute of Technology, including the construction of teaching buildings, dormitories, campus environment and related supporting facilities	Not applicable	Not applicable	Not applicable	Not applicable	163.2	163.2	31 December 2023
Maintain, renovate and upgrade the facilities, equipment and infrastructure of the schools and tutorial centers of the Group and improve student accommodation, campus environment and teaching conditions at Shijiazhuang Institute of Technology	86.6	36.7	1.9	49.9	36.7	–	Fully utilized
Establish the Group's presence overseas and obtain experience in operating schools abroad	43.3	–	0.0	43.3	–	–	Not applicable
Fund the Group's working capital and general corporate purposes	43.3	37.2	4.4	6.1	37.2	–	Fully utilized
Total	433.0	269.8	59.4	163.2	433.0	163.2	

Notes:

- (1) The original use of net proceeds shows the allocation of the net proceeds after the re-allocation as disclosed in the announcement of the Company dated 12 June 2019 in relation to the change in use of proceeds.
- (2) The revised use of net proceeds shows the allocation of the net proceeds after the re-allocation as disclosed in the Announcement in relation to the change in use of proceeds.
- (3) The expected timeline for utilizing the remaining proceeds is based on the best estimation made by the Group. It will be subject to change based on the current and future development of the market condition.



VI. REPORT OF THE DIRECTORS

• MAJOR CUSTOMERS AND SUPPLIERS

Our customers primarily consist of (i) students and their parents; (ii) Lionful Education (on behalf of whom we provide school operation services); and (iii) third-party educational institutions with whom we have cooperated and our franchised kindergartens. The transaction volume of the Group with its top five customers accounted for 11.4% of the Group's operating revenue in 2021. Our largest customer during the track record period was Lionful Education, a related party of the Group, which accounted for approximately 7.5% of our total revenue for the year ended 31 December 2021.

Our suppliers primarily comprise food, utilities and property service providers. For the year ended 31 December 2021, the purchases from our five largest suppliers as recorded in the cost of sales account constituted approximately 8.7% of our cost of sales. The transaction amount with the single largest supplier of the Group accounted for approximately 3.3% of the material cost included in the cost of sales for the year.

Save as disclosed above, to the knowledge of the Directors, none of the Directors, their associates or Shareholders (who, to the knowledge of the Directors, own more than 5.0% of the Company's share capital) had any interest in the top five suppliers of the Group in 2021.

• BANK AND OTHER BORROWINGS

Details of the bank and other borrowings of the Company and the Group as at 31 December 2021 are set out in note 26 to the audited consolidated financial statements.

• DONATIONS

In 2021, the Group did not make any donation.



• DIRECTORS AND SENIOR MANAGEMENT

(1) The Board is responsible for, and has the general power to, the management and operations of our business.

The Board currently consists of 8 Directors, including 5 executive Directors and 3 independent non-executive Directors. The following table sets out the information on the members of the Board:

Name	Position	Responsibilities	Relationship with other Directors or senior management
Mr. Li Yunong	Chairman of the Board and executive Director	Overall formulation, guidance of business strategy and development of the Group	Mr. Li Yunong is the father of Mr. Li Yasheng
Ms. Liu Hongwei	Chief executive officer and executive Director	Overall operation and daily management of the Group	nil
Mr. Ren Caiyin	Executive vice president, executive Director and president of the vocational education segment	Overall operation and daily management of the vocational education of the Group	nil
Ms. Yang Li	Executive Director	Research on marketing strategies of the Group	nil
Mr. Li Yasheng	Executive Director	Promoting the implementation of major events of the Group in line with its business strategy	Mr. Li Yasheng is the son of Mr. Li Yunong
Mr. Guo Litian	Independent non-executive Director	Providing independent opinion and judgment to the Board	nil
Mr. Yao Zhijun	Independent non-executive Director	Providing independent opinion and judgment to the Board	nil
Mr. Wan Joseph Jason	Independent non-executive Director	Providing independent opinion and judgment to the Board	nil



VI. REPORT OF THE DIRECTORS

In accordance with Article 84(1) of the articles of association of the Company (the “Articles of Association”), one-third of the Directors for the time being shall retire from office by rotation at each annual general meeting, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years, pursuant to which, Mr. Ren Caiyin, Ms. Yang Li and Mr. Wan Joseph Jason shall retire by rotation at the AGM and, being eligible, have offered themselves for re-election as Directors thereat.

Details of the Directors who offer themselves for re-election at the AGM will be set out in the circular to the Shareholders dated 29 April 2022.

(2) The following table sets out the information on the senior management members of the Company:

Name	Position	Responsibilities
Ms. Liu Tianhang	Executive vice president	The investment merger and acquisition and capital operations of the Group
Ms. Wang Lijing	Executive vice president	Overall operation and daily management of New Gaokao education of the Group
Mr. Wang Yongsheng	Vice president and chief financial officer	Financial management and fund planning of the Group
Mr. Wei Lei	Vice president	Overall operation, human resources and administrative affairs management of the Group
Mr. Sun Peng	Vice president	Finance management and capital innovation of the Group
Mr. Yang Yang	Joint company secretary	Corporate governance, compliance disclosure, investor relations and public relations management of the Group
Mr. Mao Lei	Principal of Shijiazhuang Institute of Technology	Teaching management of Shijiazhuang Institute of Technology

• CHANGES IN DIRECTORS AND SENIOR MANAGEMENT

On 17 March 2021, Mr. Sun Peng was appointed as the vice president of the Company.

On 31 March 2021, Mr. Liu Zhanjie ceased to be the vice chairman of the Board, the executive Director and the authorised representative of the Company.

On 31 March 2021, Ms. Liu Hongwei was appointed as the authorised representative of the Company.

On 31 March 2021, Mr. Li Yasheng was appointed as an executive Director.

On 25 October 2021, Mr. Zheng Tieqiu ceased to be the joint company secretary and the authorised representative of the Company.

On 25 October 2021, Mr. Yang Yang was appointed as the joint company secretary and the authorised representative of the Company.

Save as disclosed above, the Company did not appoint or dismiss any Director or senior management member during the Reporting Period. As of the date of this annual report, save as disclosed above, there was no change in the information regarding the Directors and chief executive which required disclosure pursuant to Rule 13.51(2) of the Listing Rules.



- **BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT**

Biographical details of the Directors and senior management of the Company are set out in the section headed “Directors and Senior Management” on pages 21 to 26 in this report.

- **CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS ON INDEPENDENCE**

The Company has received the confirmation of each independent non-executive Director on his/her independence in accordance with Rule 3.13 of the Listing Rules, and the Company considers that all independent non-executive Directors were independent for the year ended 31 December 2021 and up to the date of this annual report.

- **DIRECTORS’ SERVICE CONTRACTS**

Mr. Li Yunong, Ms. Liu Hongwei, Mr. Ren Caiyin, Mr. Liu Zhanjie (ceased to be an executive Director on 31 March 2021) and Ms. Yang Li have each entered into a service contract with the Company for a term of three years commencing on the Listing Date, which may be automatically renewed for three years upon expiry and subject to termination in accordance with the provisions of the service contract. Mr. Li Yasheng has entered into a service contract with the Company for a term of three years commencing from 31 March 2021, which may be automatically renewed for three years upon expiry and subject to termination in accordance with the provisions of the service contract.

Mr. Guo Litian and Mr. Yao Zhijun have each entered into a letter of appointment with the Company for a term of one year commencing on the Listing Date and will remain in effect, subject to termination in accordance with the provisions of the letter of appointment. Mr. Wan Joseph Jason has entered into a letter of appointment with the Company for a fixed term of one year, commencing from 6 March 2019 and will remain in effect, subject to termination in accordance with the provisions of the letter of appointment.

None of the Directors has entered into any service contract or letter of appointment with the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

- **EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS**

The remuneration committee of the Company (the “Remuneration Committee”) has been set up to review the Group’s emolument policy and structure for all remuneration of the Directors and senior management of the Company, having regard to the Group’s operating results, individual performance of the Directors and senior management of the Company and comparable market practices. Details of the emoluments of the Directors and five highest paid individuals during the Reporting Period are set out in note 8 and note 9 to the consolidated financial statements in this annual report.

During the Reporting Period, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

- **MANAGEMENT CONTRACTS**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed in 2021.



VI. REPORT OF THE DIRECTORS

• DIRECTORS AND CONTROLLING SHAREHOLDERS' SIGNIFICANT INTERESTS IN CONTRACTS, TRANSACTIONS OR ARRANGEMENTS

Save as disclosed in note 35 "Related Party Transactions" to the consolidated financial statements and the section headed "Connected Transactions" in this annual report, no Directors or entities related to the Directors still have or used to have any significant interest, directly or indirectly, in any contract, transaction or arrangement of the Company or any of its subsidiaries that remained in effect during the year ended 31 December 2021 or as at the end of 31 December 2021 and was significant to the business of the Group.

Save as disclosed in note 35 "Related Party Transactions" to the consolidated financial statements and the section headed "Connected Transactions" in this annual report, at no time during the year ended 31 December 2021 did the Company or any of its subsidiaries enter into any contract of significance with the controlling shareholders or any of their subsidiaries, nor was any contract of significance entered into for the services provided by the controlling shareholders or their subsidiaries to the Company or any of its subsidiaries.

• DIRECTORS' INTERESTS IN COMPETITIVE BUSINESS

On 27 May 2020, the Company renewed the Entrustment Agreement entered into between Shijiazhuang Institute of Technology and Lionful Education on 21 June 2010 (the "2010 Entrustment Agreement"). For details, please refer to the announcement of the Company dated 27 May 2020. In addition, the Company, was notified by Mr. Li Yunong in May 2020 that Lionful Education, which is effectively controlled by him and Ms. Luo Xinlan, has acquired Shijiazhuang Peisen Education Technology Co., Ltd.* (石家莊培森教育科技有限公司). Shijiazhuang Peisen Education Technology Co., Ltd. owns Shijiazhuang High-tech Zone Zhangjiu Center Kindergarten Co., Ltd.* (石家莊高新區長九中心幼兒園有限責任公司), Shijiazhuang Shiguang Kindergarten Co., Ltd.* (石家莊時光幼兒園有限公司), Shijiazhuang Yuhua Saintach Zhongmei Kindergarten* (石家莊市裕華區新天際眾美幼兒園) and Shijiazhuang Qiaoxi Yingjia Kindergarten Co., Ltd.* (石家莊橋西區盈嘉幼兒園有限公司), all of which are located in Shijiazhuang. However, owing to the fact that the coverage of the kindergarten business of Shijiazhuang Peisen Education Technology Co., Ltd. is relatively smaller, the resulting business competition with the Group is limited. Moreover, according to the Certain Opinions of the CPC Central Committee and the State Council on Deepening the Reform and Regulating the Development of Preschool Education (《中共中央、國務院關於學前教育深化改革規範發展的若干意見》) authorized to release by Xinhua News Agency in November 2018, the Company will no longer expand the physical premises of kindergartens. Owing to this, Sheng Dao Xiang Cheng has issued a confirmation letter, stating that it agreed to the acquisition of Shijiazhuang Peisen Education Technology Co., Ltd. by Lionful Education to commence the kindergarten business. Save as disclosed and for the year ended 31 December 2021, the Board was not aware of that any business or interests of the Directors and their respective associates constitute or may constitute competition to the Group's business or cause or may cause any other conflict of interest to the Group.

• DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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



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

As at 31 December 2021, the Directors and chief executive of the Company had the following interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code"):

Director	Nature of interest	Number of Shares ⁽⁶⁾	Long position/ short position	Approximate percentage of shareholding ⁽⁷⁾
Mr. Li Yunong ⁽¹⁾	Founder of a discretionary trust who can influence how the trustee exercises on his discretion	754,590,000(L)	Long position	64.65%
	Beneficial owner	1,902,000(L)	Long position	0.16%
	Beneficial owner	666,000(L)	Long position	0.06%
	Beneficiary of a trust (other than a discretionary interest)	1,554,000(L)	Long position	0.13%
Ms. Liu Hongwei ⁽²⁾	Beneficial owner	2,061,000(L)	Long position	0.18%
	Beneficial owner	666,000(L)	Long position	0.06%
	Beneficiary of a trust (other than a discretionary interest)	1,554,000(L)	Long position	0.13%
Mr. Ren Caiyin ⁽³⁾	Beneficial owner	951,000(L)	Long position	0.08%
	Beneficial owner	443,700(L)	Long position	0.04%
	Beneficiary of a trust (other than a discretionary interest)	1,035,300(L)	Long position	0.09%
Ms. Yang Li ⁽⁴⁾	Beneficial owner	951,000(L)	Long position	0.08%
	Beneficial owner	443,700(L)	Long position	0.04%
	Beneficiary of a trust (other than a discretionary interest)	1,035,300(L)	Long position	0.09%
Mr. Li Yasheng ⁽⁵⁾	Beneficial owner	633,000(L)	Long position	0.05%
	Beneficial owner	296,100(L)	Long position	0.03%
	Beneficiary of a trust (other than a discretionary interest)	690,900(L)	Long position	0.06%

Notes:

(1) On 16 January 2020, the Company was informed by Mr. Li Yunong that he had transferred his 100% shareholding in Sainange Holdings Company Limited ("Sainange Holdings") to Leonus Holdings Limited ("Leonus") for family wealth and succession planning purposes. After the shareholding transfer, the family trust to established by Mr. Li Yunong indirectly, through Leonus, holds 754,590,000 Shares held by Sainange Holdings. Mr. Li Yunong was therefore deemed to be interested in the Shares held by Sainange Holdings by virtue of the SFO, being 754,590,000 Shares. For details, please refer to the announcement of the Company dated 21 January 2020. On 5 November 2020, 1,902,000 share options, representing 1,902,000 underlying Shares, were granted to Mr. Li Yunong pursuant to the Share Option Scheme (as defined below). For details, please refer to the announcement of the Company dated 5 November 2020. On 29 December 2020, 2,220,000 award shares were granted to Mr. Li Yunong pursuant to the Share Award Plan (as defined below), subject to the vesting conditions under the grant, of which 666,000 award shares had vested on 29 December 2021. For details, please refer to the announcement of the Company dated 29 December 2020.

(2) On 5 November 2020, 2,061,000 share options, representing 2,061,000 underlying Shares were granted to Ms. Liu Hongwei under the Share Option Scheme. On 29 December 2020, 2,220,000 award shares were granted to Mr. Liu Hongwei pursuant to the Share Award Plan, of which 666,000 award shares had vested on 29 December 2021.



VI. REPORT OF THE DIRECTORS

- (3) On 5 November 2020, 951,000 share options, representing 951,000 underlying Shares were granted to Mr. Ren Caiyin under the Share Option Scheme. On 29 December 2020, 1,479,000 award shares were granted to Mr. Ren Caiyin pursuant to the Share Award Plan, of which 443,700 award shares had vested on 29 December 2021.
- (4) On 5 November 2020, 951,000 share options, representing 951,000 underlying Shares were granted to Ms. Yang Li under the Share Option Scheme. On 29 December 2020, 1,479,000 award shares were granted to Ms. Yang Li pursuant to the Share Award Plan, of which 443,700 award shares had vested on 29 December 2021.
- (5) On 5 November 2020, 633,000 share options, representing 633,000 underlying Shares were granted to Mr. Li Yasheng under the Share Option Scheme. On 29 December 2020, 987,000 award shares were granted to Mr. Li Yasheng pursuant to the Share Award Plan, of which 296,100 award shares had vested on 29 December 2021.
- (6) The letter (L) denotes a long position in such securities.
- (7) As at 31 December 2021, the number of the issued shares of the Company was 1,167,216,000 Shares.

Save as disclosed above, as at 31 December 2021, none of the Directors or chief executive of the Company had or deemed to have the interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which were required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or which were otherwise 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

So far as the Directors are aware, as at 31 December 2021, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name	Nature of interest	Number of Shares ⁽⁵⁾	Approximate percentage of shareholding ⁽⁶⁾
Ms. Cao Yang ⁽³⁾	Spouse interest	758,712,000 (L)	65.00%
Sainange Holdings	Beneficial owner	754,590,000 (L)	64.65%
Leonus ⁽¹⁾	Interest in a controlled corporation	754,590,000 (L)	64.65%
HSBC International Trustee Limited ⁽¹⁾	Trustee	754,590,000 (L)	64.65%
Ms. Luo Xinlan ⁽²⁾⁽⁴⁾	Interest in a controlled corporation	92,736,000 (L)	7.95%
Mr. Cao Jide ⁽⁴⁾	Spouse interest	92,736,000 (L)	7.95%
Sainray Limited	Beneficial owner	92,736,000 (L)	7.95%

Notes:

- (1) Mr. Li Yunong is the founder of a trust of which HSBC International Trustee Limited is the trustee having control over the entire issued shares of Leonus, which in turn holds the entire issued shares of Sainange Holdings. Each of Mr. Li Yunong, HSBC International Trustee Limited and Leonus is deemed to be interested in the 754,590,000 Shares held by Sainange Holdings by virtue of the SFO.
- (2) Ms. Luo Xinlan is the sole shareholder of Sainray Limited and she is therefore deemed to be interested in the Shares held by Sainray Limited by virtue of the SFO, being 92,736,000 Shares.



- (3) Ms. Cao Yang is the spouse of Mr. Li Yunong and she is therefore deemed to be interested in the Shares in which Mr. Li Yunong is interested by virtue of the SFO, being in aggregate 758,712,000 Shares.
- (4) Mr. Cao Jide is the spouse of Ms. Luo Xinlan and he is therefore deemed to be interested in the Shares in which Ms. Luo Xinlan is interested by virtue of the SFO.
- (5) The letter (L) denotes a long position in such securities.
- (6) As at 31 December 2021, the number of the issued shares of the Company was 1,167,216,000 Shares.

Save as disclosed above, as at 31 December 2021, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO; or to be recorded in the register required to be kept pursuant to Section 336 of the SFO.

• SHARE OPTION SCHEME

The Company was approved to adopt a share option scheme (the “Share Option Scheme”) on 4 May 2018. For details of the terms of the Share Option Scheme, please refer to the Appendix V in the Prospectus.

(1) Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in the Company and help motivate them to boost their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain ongoing cooperation 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.

(2) Who may Join

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

- a Any executive director, manager or other employee holding administrative, managerial, regulatory or similar positions in any member of the Group (“Executives”), any employee candidate, any fulltime or part-time employee, or any person who is temporarily transferred to any member of the Group for full-time or part-time job (the “Employees”);
- b Directors or nominated directors (including independent non-executive directors) of any member of the Group;
- c Direct or indirect shareholders of any member of the Group;
- d Suppliers who supply goods or render services to any member of the Group;
- e Customers, consultants, business or joint venture partners, franchisees, contractors, agents or representatives of any member of the Group;
- f Individuals or entities who provide any member of the Group with the design, research, development or other support or any advice, consultancy, professional or other services; and
- g The associates of any person mentioned in paragraphs a to f above (the above persons are collectively referred to as the “Eligible Persons”).



(3) Maximum Number of Shares

The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as of the Listing Date (such 10% limit represented 120,000,000 Shares, representing approximately 10.28% of the issued shares of the Company as at the date of the Annual Report, excluding Shares which may fall to be issued upon exercise of the over-allotment option granted by the Company) (the "Scheme Mandate Limit") provided that:

- a The Company may at any time as the Board thinks fit seek approval from the Shareholders to refresh the Scheme Mandate Limit, provided that the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other schemes of the Company shall not exceed 10% of the Shares in issue as of the date of approval by the Shareholders of the refreshment of the Scheme Mandate Limit at the general meeting. Options previously granted under the Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The Company shall dispatch a circular to the Shareholders, which will contain the details and data as required under the Listing Rules;
- b The Company may seek separate approval from the Shareholders at the general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by the Company before such approval is obtained. The Company shall send a circular to the Shareholders containing the details and data required under the Listing Rules; and
- c The maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of the Company's issued share capital from time to time. No Options may be granted under the Share Option Scheme and any other share option scheme of the Company if this will result in such limit being exceeded.

(4) Maximum Entitlement of Each Participant

Subject to Shareholders' approval, no Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of the Company's issued share capital from time to time.

(5) Minimum Holding Period, Vesting and Performance Target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.



(6) Term for Acceptance and Exercise of Options

An offer of the grant of Options shall remain open for acceptance by the Eligible Persons for a period of 28 days from the offer date, provided that no such grant of Options may be accepted after the expiry of the effective period of the Share Option Scheme. Options shall be deemed to have been granted and accepted by the Eligible Persons and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Options duly signed by the grantee together with a remittance in favor of the Company of HK\$1.00 being the consideration for the grant thereof is received by the Company on or before the date upon which an offer of Options must be accepted by the relevant Eligible Persons, being a date no later than 28 days after the offer date (the "Acceptance Date"). Such remittance shall under no circumstances be refundable.

Any offer of the grant of Options may be accepted in respect of less than the number of Shares in respect of which it is offered, provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number shall be clearly stated in the duplicate offer letter comprising acceptance of the offer of Options. To the extent that the offer of the grant of Options is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

The period within which the Shares must be taken up under an Option shall be the period of time to be notified by the Board to each grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant Option.

Subject to the terms of the Share Option Scheme, such scheme shall be valid and effective for a period of ten years from the date on which it becomes unconditional.

(7) Subscription Price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

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

(8) Movements in Share Option Scheme

The Share Option Scheme will lapse automatically and not be exercisable under the circumstances set out in "Appendix V – Statutory and General Information – 13. Lapse of Share Option Scheme" of the Prospectus. No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.



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Below sets out the details of the changes in the Options under the Share Option Scheme for the year ended 31 December 2021 and the Options outstanding during the year:

Name of grantee	Date of grant	Number of Options					As at 31 December 2021	Exercise price per Share (HK\$)	Share price immediately prior to the date of grant (HK\$ per Share)	Fair value of Options (HK\$ per Share)	Exercise period
		As at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled/ forfeited during the year					
Mr. Li Yunong (Chairman of the Board and executive Director)	5 November 2020	1,902,000 (Note 1)	-	-	-	-	1,902,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Ms. Liu Hongwei (chief executive officer and executive Director)	5 November 2020	2,061,000 (Note 1)	-	-	-	-	2,061,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Mr. Ren Caiyin (executive vice president and executive Director)	5 November 2020	951,000 (Note 1)	-	-	-	-	951,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Ms. Yang Li (executive Director)	5 November 2020	951,000 (Note 1)	-	-	-	-	951,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Mr. Li Yasheng (executive Director)	5 November 2020	633,000 (Note 1)	-	-	-	-	633,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
		6,498,000	-	-	-	-	6,498,000				
Total for employees	5 November 2020	4,275,000 (Note 1)	-	-	1,107,000	-	3,168,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Total for consultants (Note 3)	5 November 2020	4,272,000 (Note 1)	-	-	951,000	-	3,321,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Total for connected person (Note 2)	5 November 2020	792,000 (Note 1)	-	-	-	-	792,000 (Note 1)	0.630	0.620	(Note 1)	5 November 2020 to 4 November 2030
Total		15,837,000	-	-	2,058,000	-	13,779,000				

Notes:

- (1) 30% of the Options shall vest after the first anniversary of the grant date of the Options, with the fair value of HK\$0.23 per Option; 30% of the Options shall vest after the second anniversary of the grant date of the Options, with the fair value of HK\$0.23 per Option; and 40% of the Options shall vest after the third anniversary of the grant date of the Options, with the fair value of HK\$0.22 per Option.
- (2) Mr. Liu Zhanjie resigned as executive Director and vice chairman of the Board with effect from 31 March 2021.
- (3) On 5 November 2020, the Company granted a total of 4,272,000 Options to seven non-employees who acted as consultants to the Company (the "Consultants"). These Consultants had provided various services to the Company, including (i) consultation on the Group's business development and potential acquisitions; (ii) offering advices on the operation, strategies, financial and taxation aspects of the new businesses of the Group; and (iii) introduction of prospective investors. The grant of Options to the Consultants will help motivate these non-employees to optimize their future contributions to the Group and to reward them for their past contributions. The grant of Options by the Company is to incentivize the Consultants to help the Group expand its business network, acquire and explore new business projects and opportunities, and to provide continuous services to the Group and maintain a long-term relationship with the Group.



The values of Options calculated using the binomial model (the “Model”) are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an Option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an Option.

The following table lists the inputs to the Model used:

Measurement date	05/11/2020
Dividend yield (%)	3.31%
Expected volatility (%)	50.45%
Risk-free interest rate (%)	0.11%

• SHARE AWARD PLAN

A share award scheme (the “Share Award Plan”) was adopted by the Board on 14 October 2020 (the “Adoption Date”), the details of which are set out as follows:

(1) Purpose of the Share Award Plan

The purposes of the Share Award Plan are to recognize and reward the contribution of Eligible Participants (as defined in the following paragraph) to the growth and development of the Group, to give incentives to Eligible Participants (as defined hereunder) in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

(2) Administration

The Share Award Plan shall be subject to the administration of the Board and the trustee under the Share Award Plan (the “Trustee”) in accordance with the terms of the Share Award Plan and the terms of the trust deed (entered into between the Company and the Trustee in respect of the Shares and other trust fund (if any) held or to be held by the Trustee subject to the terms thereof) (the “Trust Deed”). The Trustee shall hold the trust fund in accordance with the terms of the Trust Deed.

(3) Eligibility

Under the rules constituting the Share Award Plan, the following classes of participants (excluding the excluded participants) (the “Eligible Participants”) are eligible for participation in the Share Award Plan:

- (a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any subsidiary of the Company or any invested entity (being any entity in which any member of the Group holds any equity interest) (an “Employee”);
- (b) any non-executive director (including independent non-executive directors) of the Company, any subsidiary or any invested entity;
- (c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any invested entity; and
- (d) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group,

and, for the purposes of the Share Award Plan, the award of Shares (“Award”) may be made to any company wholly owned by one or more of the above participants.



(4) Shares Pool

In order to satisfy any award of Shares to be granted under the Plan from time to time, the Trustee shall maintain a shares pool which shall comprise the following: (a) such Shares as may be purchased by the Trustee on the Stock Exchange or off the market by utilising the funds allocated by the Board out of the Company's resources; (b) such Shares as may be subscribed by the Trustee by utilising the funds allocated by the Board out of the Company's resources, subject to the Company having obtained the requisite Shareholders' approval in general meeting under general mandate or specific mandate for the allotment and issue of new Shares, the grant of listing of and permission to deal in such Shares by the Stock Exchange, and compliance with the applicable requirements under the Listing Rules; (c) such Shares as may be allotted or issued to the Trustee as a holder of Shares, whether by way of scrip dividend or otherwise; and (d) such Shares which remain unvested and revert to the Trustee due to the lapse of the Award.

The Trustee may purchase the Shares on the Stock Exchange at the prevailing market price (subject to such maximum price as may be from time to time prescribed by the Board), or off the market. In the event that the Trustee effects any purchases by off-market transactions, the purchase price for such purchases shall not be higher than the lower of the following: (i) the closing market price on the date of such purchase; and (ii) the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

Where any Award is proposed to be made to a connected person and the relevant Award of the Award Shares (as defined in the following paragraph) is to be satisfied by an allotment and issue of new Shares, the Award shall be separately approved by the Shareholders in general meeting with such connected person and his associates abstaining from voting and shall comply with all other requirements of Chapter 14A of the Listing Rules applicable to such Award.

(5) Award of Shares

The Board shall, subject to and in accordance with the rules of the Share Award Plan, be entitled to, at any time during the continuation of the Share Award Plan, make an Award out of the shares pool to any of the Eligible Participants such number of Shares as it shall determine pursuant to the Share Award Plan.

The Board shall notify the Trustee in writing upon the making of an Award under the Share Award Plan by giving the Trustee an award notice.

(6) Vesting of the Award Shares

The Board may from time to time, at its discretion, determine the earliest vesting date and other subsequent date(s), if any, subject to and upon which the Award Shares held by the Trustee upon trust and which are referable to a selected participant shall vest in that selected participant.

(7) Lapse of Award

In the event that the selected participant who is an Employee ceases to be an Employee by virtue of a corporate reorganisation of the Group or the Invested Entity, then any Award made to such selected participant, to the extent not already vested, shall forthwith lapse and be cancelled.

(8) Voting Rights of the Shares in the Shares Pool

The Trustee shall not exercise the voting rights in respect of the Shares held under trust constituted by the Trust Deed. The selected participants shall not have any right to receive any Shares provisionally awarded to them pursuant to an Award ("Award Shares") set aside for them unless and until the Trustee has transferred and vested the legal and beneficial ownership of such Award Shares to and in the selected participants.

(9) Duration of the Share Award Plan and Termination of the Share Award Plan

The Share Award Plan shall be valid and effective for a period of 10 years commencing from the Adoption Date but may be terminated earlier as determined by the Board.



(10) Share Award Plan Limit

The maximum number of Shares to be subscribed for and/or purchased by the Trustee by applying the contribution made by the Company or any of its subsidiaries for the purpose of the Share Award Plan shall not exceed 10% of the total number of issued Shares as at the Adoption Date. The Board shall not instruct the Trustee to subscribe for and/or purchase any Shares for the purpose of the Share Award Plan when such subscription and/or purchase will result in such threshold being exceeded.

The maximum number of Shares which may be subject to an Award or Awards to a selected participant shall not in aggregate exceed 1% of the issued share capital of the Company as at the Adoption Date.

During the year ended 31 December 2021, the Trustee was authorised to purchase 27,999,000 Shares on the Stock Exchange for the Share Award Plan. During the year, 27,720,000 Award Shares were granted to the Selected Participants under the Share Award Plan.

Movements of the Award Shares granted to the Eligible Participants pursuant to the Share Award Plan during the year ended 31 December 2021 are as follows:

Name of awardee	Date of grant	Vesting period ⁽¹⁾	Number of Award Shares				
			Outstanding as at 1 January 2021	Granted during the year	Vested during the year	Lapsed during the year	Outstanding as at 31 December 2021
Director							
Mr. Li Yunong	29 December 2020	29 December 2021 to 29 December 2023	2,220,000	–	666,000	–	1,554,000
Ms. Liu Hongwei	29 December 2020	29 December 2021 to 29 December 2023	2,220,000	–	666,000	–	1,554,000
Mr. Ren Caiyin	29 December 2020	29 December 2021 to 29 December 2023	1,479,000	–	443,700	–	1,035,300
Ms. Yang Li	29 December 2020	29 December 2021 to 29 December 2023	1,479,000	–	443,700	–	1,035,300
Mr. Li Yasheng ⁽²⁾	29 December 2020	29 December 2021 to 29 December 2023	987,000	–	296,100	–	690,900
Employees	29 December 2020	29 December 2021 to 29 December 2023	18,102,000	–	4,358,700	3,573,000	10,170,300
Connected person⁽³⁾	29 December 2020	29 December 2021 to 29 December 2023	1,233,000	–	369,900	–	863,100
Total			27,720,000	–	7,244,100	3,573,000	169,029,000

Notes:

- (1) 30% of the Award Shares shall vest on the expiry date of the 12th month after the relevant date of grant of the Award Shares; 30% of the Award Shares shall vest on the expiry date of the 24th month after the relevant date of grant of the Award Shares; and 40% of the Award Shares shall vest on the expiry date of the 36th month after the relevant date of grant of the Award Shares.
- (2) Mr. Li Yasheng is the son of Mr. Li Yunong.
- (3) Mr. Liu Zhanjie resigned as executive Director and vice chairman of the Board with effect from 31 March 2021.



VI. REPORT OF THE DIRECTORS

- **BONDS ISSUED**

The Company did not have any bonds in issue or existence for the year ended 31 December 2021.

- **SHARE-LINKED AGREEMENT**

For the year ended 31 December 2021, the Company did not enter into or have any share-linked agreement, and was not obligated to enter into any agreement which would or might cause the Company to issue any Share.

- **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES**

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

- **PRE-EMPTIVE RIGHT**

There is no provision of pre-emptive right in the Articles of Association and the laws of Cayman Islands that requires the Company to offer new Shares to the existing Shareholders on a pro rata basis.

- **PERMITTED INDEMNITIES**

For the year ended 31 December 2021, the Company did not have any permitted indemnities that used to take effect or was effective in favour of any Director of the Company (whether entered into by the Company or not) or any director of any company associated with the Company (if entered into by the Company).

The Company has purchased liability insurance for the relevant legal proceedings that the Directors may be involved in.

- **REMUNERATION POLICY**

The Remuneration Committee has been set up to review the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

The Directors and senior management of the Company may also receive Options to be granted under the Share Option Scheme. For further details of the Share Option Scheme, please refer to the Appendix V "F. Share Option Scheme" to the Prospectus. Details of the remuneration of the Directors and five highest paid individuals during the Reporting Period are set out in note 8 and note 9 to the consolidated financial statements.

- **PENSION AND EMPLOYEE BENEFIT SCHEMES**

Details for the Company's pension and employee benefit scheme are set out in note 2.4 to the consolidated financial statements in this annual report.



- **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

For details, please refer to the section headed “Corporate Governance Report” on pages 63 to 76 in this report.

- **AUDIT COMMITTEE**

For the year ended 31 December 2021, the audit committee of the Company (the “Audit Committee”) consisted of three members, namely Mr. Yao Zhijun (chairman), Mr. Guo Litian and Mr. Wan Joseph Jason, all of whom are independent non-executive Directors.

The Audit Committee has adopted the terms of reference which are in line with the Corporate Governance Code (formerly known as the Corporate Governance Code and Corporate Governance Report) (the “CG Code”) as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include reviewing and monitoring the financial control, risk management and internal control systems and procedures of the Group, reviewing the financial information of the Group and the relationship with the external auditor of the Company. The annual results and the consolidated financial report of the Group for the year 2021 have been reviewed by the Audit Committee.

- **AUDITOR**

Ernst & Young was appointed as the auditor of the Company for the year ended 31 December 2021. Ernst & Young have audited the consolidated financial statements as attached which were prepared in accordance with the International Financial Reporting Standards.

Ernst & Young shall retire at the forthcoming AGM, and, being eligible, offers itself for re-appointment. The resolution for re-appointing Ernst & Young as the auditor of the Company will be submitted to the AGM.

- **UNDERTAKING OF AVERTING PEER COMPETITION BY CONTROLLING SHAREHOLDERS**

The Company has received letters of confirmation from the controlling shareholders that they have complied with the non-competition undertakings made on the structured contracts as set out in the Prospectus. The controlling shareholders also confirmed that save as disclosed in the 2021 interim report of the Company and this report, there was no any other businesses or interests constitute or may constitute competition to the Company’s business or cause any other conflict of interest to the Company at any time during the year ended 31 December 2021. For details of the non-competition undertakings, please refer to the Prospectus.

The independent non-executive Directors have reviewed the performance of the non-competition undertakings during the Reporting Period based on the information and confirmation provided by or obtained from the covenanters.

- **SUFFICIENT PUBLIC FLOAT**

According to the information publicly available to the Company and to the knowledge of the Directors, at any time during the Reporting Period and up to the date of this annual report, at least 25% (i.e., the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules) of the total issued Shares were held by the public.

- **MATERIAL LITIGATION**

For the year ended 31 December 2021, the Company was not involved in any material litigation or arbitration. To the knowledge of the Directors, there is also no unknown or threatened material litigation or claim.



• NON-EXEMPT CONNECTED TRANSACTIONS

For the year ended 31 December 2021, the Group has the following non-exempt connected transactions pursuant to Chapter 14A of the Listing Rules. The Company confirmed that it had complied with the disclosure requirements under Chapter 14A of the Listing Rules during the year ended 31 December 2021.

1. Acquisition of Properties

On 4 May 2018, Shijiazhuang Institute of Technology, as lessee, entered into a property lease agreement (“Shijiazhuang Institute of Technology Property Lease Agreement”) with Lionful Education, as lessor, pursuant to which Shijiazhuang Institute of Technology leased from Lionful Education nine dormitory buildings, one auto training center, one canteen, one infirmary and a library located at Hengshan Village, Luquan Development Area, Shijiazhuang, Hebei Province, the PRC with an aggregate construction area of approximately 71,460 sq.m. at an annual rental of RMB5.5 million. The term of lease is 10 years with an option granted to Shijiazhuang Institute of Technology to renew the agreement by giving a written notice to the lessor three months prior to the expiration of the lease under normal commercial terms or better to Shijiazhuang Institute of Technology and in compliance with applicable laws and regulations as well as the Listing Rules.

On 20 November 2020, Shijiazhuang Institute of Technology entered into an assets restructuring agreement (the “Assets Restructuring Agreement”), pursuant to which Lionful Education agreed to sell and Shijiazhuang Institute of Technology agreed to purchase, five dormitory buildings (four of which were the leased properties under the Shijiazhuang Institute of Technology Property Lease Agreement) located at Hengshan Village, Luquan Development Area, Shijiazhuang, Hebei Province, the PRC with an aggregated area of 31,097.72 sq.m. and the land use right with an aggregated area of 51,887 sq.m. (the “Acquired Properties”) at the consideration of RMB105,800,000, subject to the terms therein.

On 5 November 2021, Shijiazhuang Institute of Technology entered into an assets restructuring agreement (the “2021 Assets Restructuring Agreement”) with Lionful Education, pursuant to which Shijiazhuang Institute of Technology shall acquire one library, one auto training centre, four canteens and six dormitory buildings (including five dormitory buildings, one auto training centre, one canteen, one infirmary and a library leased by the Group from Lionful Education pursuant to the new lease agreement dated 20 November 2020 entered into between Shijiazhuang Institute of Technology as lessee and Lionful Education as lessor) from Lionful Education at the total consideration of RMB310.0 million.

Lionful Education is controlled by Mr. Li Yunong and Ms. Luo Xinlan as to approximately 80.62% and 19.37%, respectively. Pursuant to Rule 14A.07(1) of the Listing Rules, Mr. Li Yunong, a Director and one of the controlling shareholders and Ms. Luo Xinlan, one of the controlling shareholders, are connected persons of the Company. Lionful Education is a 30%-controlled company (as defined in Rule 14A.12(1)(c) of the Listing Rules) held directly by connected persons (as defined in Rule 14A.07(1) of the Listing Rules), and hence an associate of Mr. Li Yunong and Ms. Luo Xinlan and a connected person of the Company.

Further details with respect to the Assets Restructuring Agreement and the 2021 Assets Restructuring Agreement and the transactions thereunder are set out in the announcements of the Company dated 20 November 2020 and 5 November 2021 respectively.



• NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

For the year ended 31 December 2021, the Group has the following non-exempt continuing connected transactions pursuant to Chapter 14A of the Listing Rules. The Company confirmed that it had complied with the disclosure requirements under Chapter 14A of the Listing Rules during the year ended 31 December 2021.

1. *Entrustment Agreement*

As set out in note 35(d)(1) to the consolidated financial statements, on 21 June 2010, Shijiazhuang Institute of Technology entered into the 2010 Entrustment Agreement, pursuant to which Lionful Education engaged Shijiazhuang Institute of Technology, which has sufficient campus management capabilities, to implement the key school operation and student administration of Sifang College West Campus and the yearly entrusted management fee is 65% of the tuition fees generated by Sifang College West Campus. Such rate represents the amount of revenue generated from the tuition fees of Sifang College West Campus to which Lionful Education is entitled as agreed between Lionful Education and Shijiazhuang Tiedao University pursuant to the joint schooling arrangement, which was determined through arm's length negotiation between Lionful Education and Shijiazhuang Tiedao University, taking into account the reputation of Shijiazhuang Tiedao University and the capacity and quality of school facilities provided by Lionful Education to Sifang College West Campus for its operations. The term of the 2010 Entrustment Agreement is ten years commenced on 1 July 2010 and ended on 30 June 2020 and may be renewable by negotiation before expiration of the term.

Lionful Education is controlled by Mr. Li Yunong and Ms. Luo Xinlan as to approximately 80.62% and 19.38%, respectively. Pursuant to Rule 14A.07(1) of the Listing Rules, Mr. Li Yunong, a Director and one of the controlling shareholders, and Ms. Luo Xinlan, one of the controlling shareholders, are both connected persons of the Company. Lionful Education is a 30%-controlled company (as defined in Rule 14A.12(1)(c) of the Listing Rules) held directly by connected persons (as defined in Rule 14A.07(1) of the Listing Rules), and hence an associate of Mr. Li Yunong and Ms. Luo Xinlan and a connected person of the Company.

As the 2010 Entrustment Agreement was due to expire on 30 June 2020, Shijiazhuang Institute of Technology entered into a new entrustment agreement (the "New Entrustment Agreement") on 27 May 2020. More details are set forth in the sub-paragraph headed "3. Renewal of the Entrustment Agreement" below.

2. *Structured Contracts*

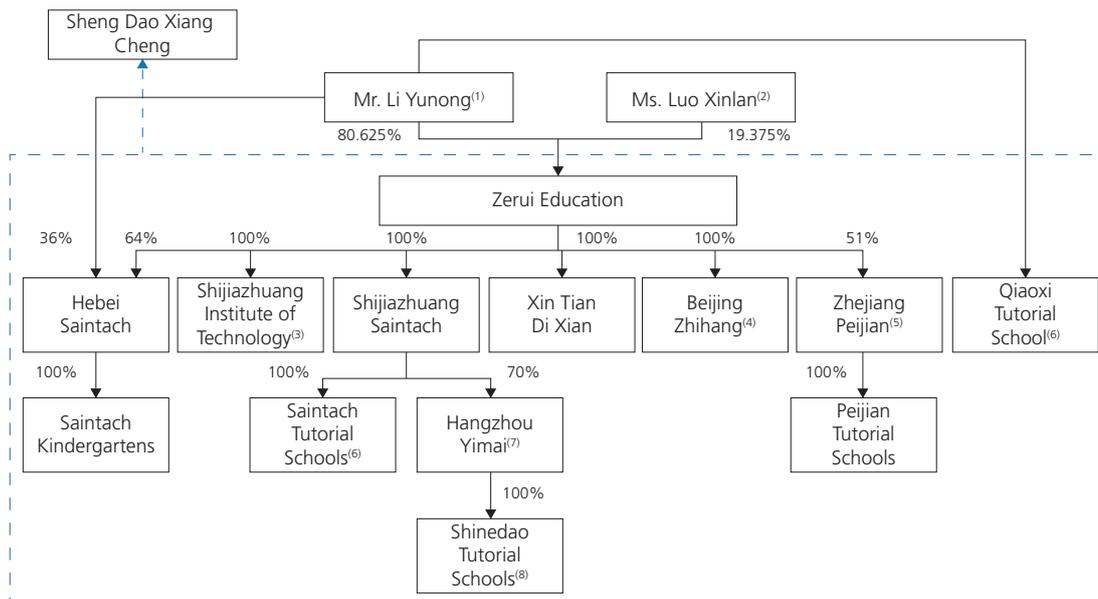
A. *Description*

The Company currently conducts its private education business through the PRC Operating Entities in the PRC where PRC laws, regulations and regulatory practice generally restrict the operation of higher, preschool, academic non-credential and secondary vocational education to Sino-foreign ownership with qualification requirements imposed on the foreign owners. The academic non-credential education provided by the Company includes individualized or small group tutoring for primary, middle and high school students, given that these tutoring services are conducted as a supplement to school education and the tutorial schools do not grant diplomas or degrees to its students. The Company does not hold any equity interest or school sponsors' interests in its PRC Operating Entities. In addition to our primary business of private education, we also conducted online to offline education services, which are considered value-added telecommunications services in the PRC, through Xin Tian Di Xian. The PRC laws and regulations currently restrict foreign ownership in enterprises providing value-added telecommunications services, in addition to imposing a qualification requirement on the foreign owners. The Structured Contracts, through which the Company obtains control over and derives economic benefits from its PRC Operating Entities, have been narrowly tailored to achieve its business purpose and minimize the potential conflict with relevant PRC laws and regulations.



VI. REPORT OF THE DIRECTORS

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



Notes:

- (1) Mr. Li Yunong is the son-in-law of Ms. Luo Xinlan.
- (2) Ms. Luo Xinlan is the mother-in-law of Mr. Li Yunong.
- (3) Infirmary of Shijiazhuang Institute of Technology was wholly-owned by Shijiazhuang Institute of Technology.
- (4) Beijing Zhihang refers to Beijing Zhihang Education Technology Co., Ltd.* (北京志航教育科技有限公司).
- (5) The remaining 49% equity interests of Zhejiang Peijian in total are held by five individual shareholders, who are independent third parties of the Company (as defined under the Listing Rules).
- (6) For the illustration purpose of this diagram, Saintach Tutorial Schools include Chang'an Tutorial School, Donggang Tutorial School, Zhicheng Tutorial School, High-tech Zone Tutorial School and Huixuan Tutorial School, and do not include Qiaoxi Tutorial School.
- (7) The remaining 30% equity interests of Hangzhou Yimai are held by Ningbo Xuenuo Enterprise Management Co., Ltd.* (寧波學諾企業管理有限責任公司), which is an independent third party of the Company (as defined under the Listing Rules).
- (8) The school sponsor's interests in Zhoushan Dinghai Shinedao Education Tutorial School* (舟山市定海區學鼎教育培訓學校) and Yuyao Shinedao Education Tutorial School* (余姚市學鼎教育培訓學校) are held by Hangzhou Yimai. The school sponsor's interests in Shaoxing Shangyu Shinedao Education Tutorial School* (紹興市上虞區學鼎教育培訓學校) is held by Shaoxing Shangyu Shinedao Education Consultancy Co., Ltd.* (紹興上虞學鼎教育諮詢有限公司), which is wholly-owned by Hangzhou Yimai.
- (9) "————>" denotes direct legal and beneficial ownership in the equity interest or school sponsor's interest.
- (10) "- - - ->" denotes flow of economic benefits.



B. Summary of the Material Terms of the Structured Contracts

(1) Business Cooperation Agreements

Pursuant to the Business Cooperation Agreements, Sheng Dao Xiang Cheng shall provide technical service and management consultancy service necessary for the private education business pursuant to the Structured Contracts, and in return, the PRC Operating Entities shall make payments pursuant to the Structured Contracts. To ensure the due performance of the Structured Contracts, each of the PRC Operating Entities agreed to comply with, and procure any of its subsidiaries to comply with, the obligations as prescribed under the Business Cooperation Agreements.

In order to prevent the leakage of assets and values of the consolidated affiliated entities, Mr. Li Yunong, Ms. Luo Xinlan and each of the relevant PRC Operating Entities have undertaken that, without prior written consent of Sheng Dao Xiang Cheng or its designated party, he/she/it shall not conduct or cause to conduct any activity or transaction which may have actual adverse impact on the assets, business, staff, obligations, rights or operations of the PRC Operating Entities.

Furthermore, each of Mr. Li Yunong and Ms. Luo Xinlan undertakes to Sheng Dao Xiang Cheng that, without prior written consent of Sheng Dao Xiang Cheng, he/she shall not (i) directly or indirectly engage, participate in or conduct any business or activities which compete or may potentially compete with the business or activities any of the PRC Operating Entities (the "Competing Business"); (ii) acquire or hold any interest in the Competing Business; (iii) use data obtained from any of the PRC Operating Entities for the Competing Business; and (iv) obtain any benefit from any Competing Business.

(2) Exclusive Service Agreements

Pursuant to the Exclusive Service Agreements, Sheng Dao Xiang Cheng, as the exclusive service provider of the PRC Operating Entities, agreed to provide exclusive technical services and exclusive management consultancy services to the PRC Operating Entities related to their business.

In consideration of the technical and management consultancy services provided by Sheng Dao Xiang Cheng, each of the relevant PRC Operating Entities agreed to pay Sheng Dao Xiang Cheng a service fee equal to the respective portion of net profit attributable to the Group after deducting all costs, expenses, taxes, losses from the previous year, social donated capital (if any), state funded capital (if any) and the legally compulsory development fund of the respective school (if required by the law), or a lesser amount determined by Sheng Dao Xiang Cheng at its absolute discretion.

Unless otherwise prescribed under the PRC laws and regulations, Sheng Dao Xiang Cheng 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 Sheng Dao Xiang Cheng to the PRC Operating 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 Service Agreements and/or any other agreements entered into between Sheng Dao Xiang Cheng and other parties.



(3) Exclusive Call Option Agreements

Under the Exclusive Call Option Agreements, Sheng Dao Xiang Cheng or its designated person have been granted an exclusive right to purchase all or part of the equity interest in Zerui Education, Shijiazhuang Saintach, Hebei Saintach, Zhejiang Peijian, Hangzhou Yimai and Shaoxing Shangyu Shinedao Education Consultancy Co., Ltd.* (紹興上虞學鼎教育諮詢有限公司), and all or part of the school sponsor's interest in Fukang Kindergarten, Tianshan Kindergarten, Lidu Kindergarten, Zhejiang Peijian, Hangzhou Yimai and Shaoxing Shangyu Shinedao Education Consultancy Co., Ltd., Qiaoxi Tutorial School, Peijian Tutorial Schools and Shinedao Tutorial Schools ("Call Options"). The purchase price payable by Sheng Dao Xiang Cheng in respect of the transfer of such equity interest or school sponsor's interest upon exercise of the Call Options shall be RMB1.00 or the lowest price permitted under the PRC laws and regulations. Sheng Dao Xiang Cheng or its designated purchaser shall have the right to purchase such proportion of the equity interest or school sponsor's interest of the PRC Operating Entities as it decides at any time.

In the event that PRC laws and regulations allow Sheng Dao Xiang Cheng or the Company to directly hold all or part of the equity interest or school sponsor's interest in the PRC Operating Entities and operate private education business in the PRC, Sheng Dao Xiang Cheng shall issue the notice of exercise of the Call Options as soon as practicable, and the percentage of equity interest or school sponsor's interest purchased upon exercise of the Call Options shall not be lower than the maximum percentage then allowed to be held by Sheng Dao Xiang Cheng or the Company under PRC laws and regulations.

(4) School Sponsors' and Directors' Rights Entrustment Agreements

Pursuant to the School Sponsors' and Directors' Rights Entrustment Agreements, Sheng Dao Xiang Cheng has been irrevocably authorized and entrusted to exercise all the rights as school sponsor of each of the schools to the extent permitted by the PRC laws, and each of directors or council members of the schools has irrevocably authorized and entrusted Sheng Dao Xiang Cheng or its designated persons to exercise all his/her rights as directors or council members to the extent permitted by the PRC laws.

In addition, each of the school sponsor and the appointed directors or council members of the schools have irrevocably agreed that, where permissible by PRC laws, (i) Sheng Dao Xiang Cheng may delegate its rights under the School Sponsors' and Directors' Rights Entrustment Agreements to the directors of Sheng Dao Xiang Cheng or its designated persons, without prior notice to or approval by the schools or their appointed directors or council members; and (ii) Sheng Dao Xiang Cheng is entitled to revoke its delegation to the aforesaid directors of Sheng Dao Xiang Cheng or other persons.

(5) Shareholders' Rights Entrustment Agreements

Pursuant to the Shareholders' Rights Entrustment Agreements, Sheng Dao Xiang Cheng has been irrevocably authorized and entrusted to exercise all the rights as shareholders of each of Zerui Education, Hebei Saintach, Shijiazhuang Saintach, Zhejiang Peijian and Hangzhou Yimai to the extent permitted by the PRC laws and the relevant articles of association.

In addition, it has been irrevocably agreed that, without violation of PRC laws, (i) Sheng Dao Xiang Cheng may delegate its rights under the Shareholders' Rights Entrustment Agreement to the directors of Sheng Dao Xiang Cheng or its designated persons, without prior notice or approval; and (ii) Sheng Dao Xiang Cheng is entitled to revoke its delegation to the aforesaid directors of Sheng Dao Xiang Cheng or other persons.



- (6) **Equity Pledge Agreements**
Pursuant to the Equity Pledge Agreements, the equity holders of the relevant PRC Operating Entities have unconditionally and irrevocably pledged and granted security interests over all of his/her/its equity interest in the relevant PRC Operating Entities, together with all related rights thereto to Sheng Dao Xiang Cheng as security for performance of the Structured Contracts. In addition, the equity holders shall not, without the prior written consent of Sheng Dao Xiang Cheng, create further pledge or encumbrance over the pledged equity interests.

- (7) **School Sponsors' Powers of Attorney**
Pursuant to the School Sponsors' Powers of Attorney executed by each of the school sponsors in favor of Sheng Dao Xiang Cheng, each of the school sponsors authorized and appointed Sheng Dao Xiang Cheng as his/her/its agent to act on his/her/its behalf to exercise or delegate the exercise of all his/her/its rights as school sponsor of our schools. For details of the rights granted, please see "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (4) School Sponsors' and Directors' Rights Entrustment Agreement" in the Prospectus.

Sheng Dao Xiang Cheng shall have the right to further delegate the rights so granted to its directors or other designated persons. Each of the school sponsors irrevocably agreed that the authorization appointment in the School Sponsors' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of Sheng Dao Xiang Cheng's subdivision, merger, winding up, consolidation, liquidation or other similar events. The School Sponsors' Power of Attorney shall constitute a part and incorporate terms of the School Sponsors' and Directors' Rights Entrustment Agreements.

- (8) **Directors' Powers of Attorney**
Pursuant to the Directors' Powers of Attorney executed by each of the directors or council members of the relevant schools in favor of Sheng Dao Xiang Cheng, each of the appointees authorized and appointed Sheng Dao Xiang Cheng as his/her/its agent to act on his/her/its behalf to exercise or delegate the exercise of all his/her rights as directors or council members. For details of the rights granted, please see "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (4) School Sponsors' and Directors' Rights Entrustment Agreement" in the Prospectus.

Sheng Dao Xiang Cheng shall have the right to further delegate the rights so granted to its directors or other designated persons. 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 Sheng Dao Xiang Cheng's subdivision, merger, winding up, consolidation, liquidation or other similar events. The Directors' Powers of Attorney shall constitute a part and incorporate terms of the School Sponsors' and Directors' Rights Entrustment Agreements.

- (9) **Shareholders' Power of Attorney**
Pursuant to the Shareholders' Power of Attorney executed by each of equity holders of the relevant PRC Operating Entities in favor of Sheng Dao Xiang Cheng, each of the appointees authorized and appointed Sheng Dao Xiang Cheng as his/her/its agent to act on his/her/its behalf to exercise or delegate the exercise of all the rights as shareholders. For details of the rights granted, please see "Structured Contracts – Operation of the Structured Contracts – Summary of the Material Terms of the Structured Contracts – (5) Shareholders' Rights Entrustment Agreement" in the Prospectus.

Sheng Dao Xiang Cheng shall have the right to further delegate the rights so granted to its directors or other designated persons. Each of the appointees irrevocably agreed that the authorization appointment in the Shareholders' Power of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of Sheng Dao Xiang Cheng's subdivision, merger, winding up, consolidation, liquidation or other similar events. The Shareholders' Power of Attorney shall constitute a part and incorporate terms of the Shareholders' Rights Entrustment Agreements.



VI. REPORT OF THE DIRECTORS

(10) Spouse Undertakings

Pursuant to the Spouse Undertakings, the respective spouse of each of Mr. Li Yunong and Ms. Luo Xinlan, the Registered Shareholders, has irrevocably undertaken that:

- (1) the spouse has full knowledge of and has consented to the entering into of the Structured Contracts by the relevant Registered Shareholder, whether as a contractual party or not, and in particular, the arrangement as set out in the Structured Contracts in relation to the equity interest and/or school sponsor's interest in the PRC Operating Entities, including but not limited to any restrictions imposed, pledge or transfer or the disposal in any other forms;
- (2) the spouse has not, is not and shall not in the future participate in the operation, management, liquidation, dissolution or other matters in relation to the PRC Operating Entities; and
- (3) the spouse authorizes the respective Registered Shareholder and/or his/her authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in order to safeguard the interest of Sheng Dao Xiang Cheng under the Structured Contracts 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 terms as and incorporate the terms of the Business Cooperation Agreements.

C. *Business Activities of PRC Operating Entities and Their Significance and Financial Contributions to the Group*

The main business activities of the PRC Operating Entities are to provide services to a wide range of students from preschool students in kindergartens of the Group, to primary school, middle school and high school students in tutorial centers of the Group, to junior college and continuing education students in the college of the Group. In addition to our primary business of private education, we also conducted online to offline education services.

Pursuant to the Structured Contracts, 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:

	Significance and financial contribution to the Group		
	Revenue for the year ended 31 December 2021	Net profit for the year ended 31 December 2021	Total assets as at 31 December 2021
PRC Operating Entities	100%	126%	72%



D. Revenue and Assets Involved in Structured Contracts

The table below sets out (i) revenue; and (ii) total assets involved in the PRC Operating Entities as at 31 December 2021, which would be consolidated into the Group's financial statements pursuant to the Structured Contracts:

	Significance and financial contribution to the Group	
	Revenue RMB'000	Total assets RMB'000
PRC Operating Entities	308,767	991,046

E. Regulatory Framework

- (1) **Preschool and Higher Education, Academic Non-credential and Secondary Vocational Education**
- On 27 December 2021, the National Development and Reform Commission of the PRC and the Ministry of Commerce of the PRC jointly promulgated the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (外商投資准入特別管理措施(負面清單)(2021年版)) (the "Negative List"), which became effective on 1 January 2022. Pursuant to the Negative List, the provision of preschool and higher education in the PRC falls within the "restricted" category. In particular, the Negative List explicitly restricts the participation of foreign-invested entities in preschool and higher education to Sino-foreign cooperation, which means that foreign investors may only operate educational institutions offering preschool and higher education through joint ventures with PRC incorporated entities that are in compliance with the Sino-foreign Regulations. 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 chief executive officer of the schools shall be a PRC national; and (b) the representative 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").

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Regulation on Sino-foreign Cooperation in Operating Schools of the PRC (《中華人民共和國中外合作辦學條例》) (the "Sino-Foreign Regulations"), if the Company was to apply for any of the schools for PRC students that is operated by the Group to be reorganized as a Sino-foreign joint venture private school ("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 high quality of education. Furthermore, pursuant to the Implementation Opinions on Encouraging and Guiding Private Fund's Entry into the Education Sector and Promoting Healthy Development of Private Education (《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》) promulgated by the Ministry of Education of the PRC (the "MOE") on 18 June 2012 ("Implementation Opinions"), the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the "Foreign Ownership Restriction"). As advised by the PRC Legal Advisor, the establishment of a Sino-Foreign Joint Venture Private School offering preschool education is subject to the approval of education authorities at the provincial level, and the establishment of a Sino-Foreign Joint Venture Private School offering junior college education is subject to the approval of education authorities and government at the provincial level and the establishment of a Sino-Foreign Joint Venture Private School offering undergraduate education or above is subject to the approval of education authorities at the national level.

As at the date of this annual report, as advised by the PRC Legal Advisor, the Company does not meet the above qualification requirement since the Company has no experience in operating a school outside the PRC. In addition, it is not practicable for the Company to seek to reorganize any of the PRC Operating Entities as a Sino-Foreign Joint Venture Private School.



The Company has taken particular plans and commenced to implement specific measures, while the Company believes that such plans and measures had considerable significance in striving to demonstrate their compliance with the above qualification requirement. Please also refer to the section headed “Structured Contracts” in the Prospectus for details of the efforts and actions made by the Group in accordance with the above qualification requirement.

As advised by the PRC Legal Advisor, none of the implementation regulations related to the above qualification requirement was updated since the Listing Date up to the date of this annual report.

(2) Online to Offline (“O2O”) Education Services

In addition to our primary business of private education, we also conducted O2O education services, which are considered value-added telecommunications services in the PRC, through Xin Tian Di Xian, which has obtained the ICP License required for carrying out value-added telecommunications services and operating our O2O education services. The PRC laws and regulations currently restrict foreign ownership in enterprises providing value-added telecommunications services, in addition to imposing a qualification requirement on the foreign owners.

As advised by our PRC Legal Advisor, according to the Negative List, the foreign investors are prohibited from holding more than 50% equity interest in the value-added telecommunications services offered by Xin Tian Di Xian. According to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (revised in 2016) (外商投資電信企業管理規定(2016年修訂)) (“FITE Regulations”), foreign investors are not allowed to hold more than 50% equity interest in a company providing value-added telecommunications services, including ICP services. In addition, a foreign investor who invests in a foreign-invested value-added telecommunications enterprise in the PRC must demonstrate a good track record and experience in operating value-added telecommunications businesses (“VDT Qualification Requirement”). Currently, none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the VDT Qualification Requirement. On 15 January 2021, the Ministry of Industry and Information Technology of the PRC (“MIIT”) issued A Guidance Memorandum on the Application Requirements for Telecommunications Business Licensing (電信業務經營許可審批服務指南) (“Guidance Memorandum”) in the PRC. According to the Guidance Memorandum, if any foreign investor intends to invest in the telecommunications business in the PRC and it is the main foreign investor, it is required to provide, among other things, the materials to prove its operation experience on telecommunications business.

As at the date of this annual report, the Company does not meet the VDT Qualification Requirement since we have no experience in operating any value-added telecommunications business outside the PRC. In order to comply with the PRC laws and regulations while availing the Company to the international capital markets and maintaining effective control over Xin Tian Di Xian, the Company adopts the Structured Contracts to gain effective control over, and receive all the economic benefits generated by the business currently operated by the PRC Operating Entities, and consolidate the financial and results of operations of the PRC Operating Entities as if they were wholly-owned subsidiaries of the Group.



(3) Foreign Investment Law

On 15 March 2019, the Foreign Investment Law was formally adopted by the 13th National People's Congress, which took into force from 1 January 2020. The Foreign Investment Law does not explicitly stipulate contractual arrangement constitutes a form of foreign investment. As advised by the PRC Legal Advisor, as contractual arrangement is not classified as an investment under the Foreign Investment Law, and if contractual arrangement is not included as a form of foreign investment into future laws, administrative regulations or provisions of the State Council, the Structured Contracts of the Company as a whole and the various agreements underlying the Structured Contracts will not be affected. Despite the above, the Foreign Investment Law stipulates that foreign investments include "investments made by foreign investors in the manners prescribed by laws, administrative regulations or otherwise by the State Council". Therefore, future laws, administrative regulations or provisions of the State Council may regard contractual arrangement as a form of foreign investment, and it is uncertain whether the Company's Structured Contracts will be recognized as foreign investments, whether they will be considered as violating foreign investment access requirements and how the above Structured Contracts will be handled. As such, there is no assurance that the Company's Structured Contracts and the business of the PRC Operating Entities will not be materially and adversely affected in the future.

Save as disclosed, the Company and the Board, after consulting the PRC Legal Advisor, believes that there is no other up-to-date information on the Foreign Investment Law.

F. *Risks Associated with the Arrangements and the Actions Taken to Mitigate the Risks*

Foreign investment in the education industry in China is extensively regulated and subject to numerous restrictions. Under the Foreign Investment Catalog, preschool education and higher education are restricted industries for foreign investors, and foreign investors are only allowed to invest in preschool education and higher education in cooperative ways and the domestic party shall play a dominant role in the cooperation. Furthermore, under 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 (《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》), which was issued by the MOE on 18 June 2012, the foreign portion of the total investment in a Sino-foreign joint venture private school should be below 50%. According to relevant regulations and as confirmed by the Commission of Education in Hebei Province, the foreign investors invested in preschools, higher education, academic non-credential and secondary vocational education must be foreign educational institutions with relevant qualification and experience.

In addition to our primary business of private education, we also conducted O2O education services, which considered as value-added telecommunications services in the PRC, through Xin Tian Di Xian, and it has obtained the ICP License required for carrying out value-added telecommunications services and operating our O2O education services. The PRC laws and regulations currently restrict foreign ownership in enterprises providing value-added telecommunications services, as well as imposing a qualification requirement on the foreign owners.

Accordingly, foreign investment in preschools, higher education, academic non-credential and secondary vocational education, and O2O education services is not prohibited. However, Sheng Dao Xiang Cheng, a subsidiary of the Company, is ineligible to independently or jointly operate preschools, higher educational institutions, academic non-credential and secondary vocational education, and O2O education services. Accordingly, the Company has been and will continue to be dependent on our Structured Contracts to operate its businesses.

Please also refer to the section headed "Risk Factors – Risks Relating to Our Structured Contracts" in the Prospectus.



VI. REPORT OF THE DIRECTORS

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

- (a) major issues arising from the implementation and compliance with the Structured Contracts or any regulatory enquiries from government authorities shall be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- (b) the Board shall review the overall performance of and compliance with the Structured Contracts at least once a year;
- (c) the Company shall disclose the overall performance and compliance with the Structured Contracts in its annual reports and interim reports to update the Shareholders and potential investors;
- (d) the Company and the Directors have undertaken to provide periodic updates in the annual and interim reports regarding the qualification requirements and the status of compliance with the Foreign Investment Law, including the latest relevant regulatory development, as well as the plan and progress towards demonstrating compliance with the qualification requirements;
- (e) the Company shall disclose, as soon as possible (i) any updates of changes to the Foreign Investment Law that will materially and adversely affect the Company as and when they occur; and (ii) a clear description and analysis of the Foreign Investment Law as implemented, specific measures taken by the Company to fully comply with the Foreign Investment Law supported by a PRC legal opinion and any material impact of the Foreign Investment Law on the operations and financial position of the Company; and
- (f) the Company shall engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Structured Contracts and the legal compliance of Sheng Dao Xiang Cheng and the PRC Operating Entities to deal with specific issues or matters arising from the Structured Contracts.

In addition, notwithstanding that one of the Directors, Mr. Li Yunong, is also one of the Registered Shareholders, the Company believes that the Directors are able to perform their roles in the Group independently and the Group is capable of managing its business independently under the following measures:

- (a) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;
- (b) each of the Directors is aware of his or her fiduciary duties as a Director which requires, amongst other things, that he or she acts for the benefits and in the best interests of the Group;
- (c) the Company has appointed three independent non-executive Directors, comprising more than one-third of the Board, to provide a balance of the number of interested and independent non-executive Directors with a view to promoting the interests of the Company and the Shareholders as a whole; and



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

G. Material Changes

Save as disclosed above, as of the date of this annual report, there were no material changes in the Structured Contracts and/or the circumstances under which the Structured Contracts were adopted.

H. Unwinding of the Structured Contracts

As of the date of this annual report, there has not been any unwinding of any Structured Contracts, nor has there been any failure to unwind any Structured Contracts when the restrictions that led to the adoption of the Structured Contracts are removed. For more details, please refer to the section headed "Structured Contracts – Circumstances in Which We Will Unwind the Structured Contracts" of the Prospectus. In the event that the PRC regulatory environment changes and all of the qualification requirements, the foreign ownership restrictions and the foreign control restrictions are removed (and assuming there are no other changes in the relevant PRC laws and regulations), Sheng Dao Xiang Cheng will exercise the Equity Call Option in full to unwind the contractual arrangements so that the Company will be able to directly operate the schools without using the Structured Contracts.

3. Renewal of the Entrustment Agreement

On 21 June 2010, Shijiazhuang Institute of Technology entered into the 2010 Entrustment Agreement with Lionful Education. For further details, please refer to the sub-paragraph headed "1. Entrustment Agreement" above.

As the 2010 Entrustment Agreement was due to expire on 30 June 2020, Shijiazhuang Institute of Technology entered into the New Entrustment Agreement with Lionful Education on 27 May 2020 in light of the business needs and benefits of the transactions thereunder.

Pursuant to the New Entrustment Agreement, Lionful Education engaged Shijiazhuang Institute of Technology, which has sufficient campus management capability, to implement the key school operation and student administration of Sifang College West Campus. The principal terms of which are summarized as follows:

1. Lionful Education entrusts Shijiazhuang Institute of Technology to implement the teaching and operation of Sifang College West Campus under the joint schooling arrangement, and pays Shijiazhuang Institute of Technology the entrustment fee, and Shijiazhuang Institute of Technology guarantees the normal operation of Sifang College West Campus.
2. Shijiazhuang Institute of Technology is responsible for, among others, organizing teaching according to Sifang College's training plan and curriculum syllabus, assessment of students, ensuring the quality of teaching and management of the teaching premises.
3. Shijiazhuang Institute of Technology has the right to obtain entrustment fees in a timely and reasonable manner. The entrustment fee shall be confirmed and settled every month.
4. The yearly entrustment fee is 65% of the tuition generated by Sifang College West Campus. Such rate represents the amount of revenue generated from Sifang College West Campus' tuition to which Lionful Education is entitled as agreed between Lionful Education and Shijiazhuang Tiedao University pursuant to the joint schooling arrangement.



VI. REPORT OF THE DIRECTORS

The entrustment fee was determined through arm's length negotiation between Lionful Education and the Group, taking into account of the reputation of Shijiazhuang Tiedao University and the capacity and quality of school facilities provided by Lionful Education to Sifang College West Campus for its operations.

For each of the three years ending 31 December 2022, the proposed annual caps of the New Entrustment Agreement are no more than RMB24.0 million, RMB24.0 million and RMB24.0 million, respectively.

The proposed annual caps were determined with reference to (i) the historical amounts of the revenue generated from tuition from Sifang College West Campus; and (ii) the expected increase in tuition of Sifang College West Campus.

4. *Confirmation of Independent Non-executive Directors*

The independent non-executive Directors have reviewed the abovementioned continuing connected transactions and confirmed that such transactions were:

- (1) entered into in the ordinary and usual course of business of the Group;
- (2) conducted on normal commercial terms; and
- (3) carried out according to the relevant agreements governing such transactions on fair and reasonable terms and in the interest of the Shareholders as a whole.

In particular, the independent non-executive Directors have reviewed the Structured Contracts and confirmed that:

- (1) the transactions carried out during the year ended 31 December 2021 were entered into in accordance with the relevant provisions of the Structured Contracts, and were operated so that the profit generated by the PRC Operating Entities was substantially retained by the Group;
- (2) no dividends or other distributions were made by the PRC Operating Entities to the equity holders of its school sponsor which were not otherwise subsequently assigned or transferred to the Group; and
- (3) the Structured Contracts and if any, any new contracts entered into, renewed or reproduced between the Group and the PRC Operating Entities during the year ended 31 December 2021 were fair and reasonable or advantageous to the Shareholders and the Group, and in the interests of the Shareholders as a whole.

5. *Confirmation of the Company's Auditor*

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 "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.

The Company's auditor has performed certain pre-determined review procedures in respect of the continuing connected transactions of the Group set out above for the year ended 31 December 2021, and reported to the Board that:

- (1) nothing has come to its attention that causes it to believe that such continuing connected transactions have not been approved by the Board;



- (2) for transactions involving the provision of goods or services by the Company, nothing has come to its attention that causes it to believe that such continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (3) nothing has come to its attention that causes it to believe that such continuing connected transactions were not entered into, in all material respects, in accordance with relevant agreements governing the transactions;
- (4) in respect of the transactions under the Structured Contracts, no dividends or other distributions have been made by the PRC Operating Entities to the Registered Shareholders which are not otherwise subsequently assigned or transferred to the Group; and
- (5) in respect of such continuing connected transactions other than the transactions under the Structured Contracts, nothing has come to its attention that causes it to believe that the transaction amounts exceeded the annual caps.

• RELATED PARTY TRANSACTIONS

Details of the related party transactions entered into by the Group during the year ended 31 December 2021 are set out in note 35 to the consolidated financial statements.

The prepayment to Lionful Education as set out under note 35(b) to the financial statements refers to the prepayment for a connected transaction of acquisition of long term assets of certain properties and a land use right. For further details, please refer to the paragraph headed “Non-exempt connected transactions – 1. Acquisition of Properties” above.

The transaction with Lionful Education as set out under note 35(d) of the financial statements refers to a continuing connected transaction of the Company, whereby the Group provided college operation services to Lionful Education in connection with the operation of the west campus of Sifang College. Please refer to the paragraphs headed “Non-exempt continuing connected transactions – 1. Entrustment Agreement” and “Non-exempt continuing connected transactions – 3. Renewal of the Entrustment Agreement” above, the announcement of the Company dated 27 May 2020 and the circular of the Company dated 17 June 2020, for further details.

Save as disclosed above, and other than Handan Meijia Youbao Education Consulting Co., Ltd.* (邯鄲市美家優寶教育諮詢有限公司), which is not a connected person of the Company within the meaning of the Listing Rules, the rest of the related party transactions conducted in the year ended 31 December 2021 constituted connected transactions or continuing connected transactions of the Group as defined in the Listing Rules, but are fully exempt from the reporting, annual review, announcement, circular and independent shareholders’ approval requirements applicable under Chapter 14A of the Listing Rules.



VI. REPORT OF THE DIRECTORS

- **MODEL CODE**

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Upon specific enquiries to all the Directors, each of them has confirmed that he/she complied with the requirements set out in the Model Code during the year ended 31 December 2021.

By order of the Board

Li Yunong

Chairman

Hong Kong, 31 March 2022



The Board is pleased to present the corporate governance report set out in the annual report of the Company for the year ended 31 December 2021.

• CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance.

For the year ended 31 December 2021, the Company has complied with all applicable code provisions under the CG Code and adopted most of the recommended best practices set out therein. The Company will continue to review and monitor its corporate governance practices to ensure the compliance with the CG Code.

• RESPONSIBILITIES OF THE BOARD

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the nomination committee of the Company (the "Nomination Committee") (together, the "Board Committees"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times. The Company has purchased appropriate liability insurances for the legal proceedings that the Directors may be involved in, and will review the insurance coverage on a yearly basis.

• BOARD COMPOSITION

During the year ended 31 December 2021, the Board comprised five executive Directors and three independent non-executive Directors detailed as follows:

Executive Directors:

Mr. Li Yunong
Ms. Liu Hongwei
Mr. Ren Caiyin
Mr. Liu Zhanjie^①
Ms. Yang Li
Mr. Li Yasheng^②

Independent non-executive Directors:

Mr. Guo Litian
Mr. Yao Zhijun
Mr. Wan Joseph Jason

Notes:

^① ceased on 31 March 2021

^② appointed on 31 March 2021



VII. CORPORATE GOVERNANCE REPORT

Biographies of the Directors are set out in the section headed “Directors and Senior Management” in this annual report.

For the year ended 31 December 2021, the Board has complied with the requirements under Rule 3.10(1) and Rule 3.10(2) of the Listing Rules that at least three independent non-executive directors shall be appointed with at least one independent non-executive director possessing appropriate professional qualifications or accounting or relevant financial management expertise. The Company has also complied with the requirements under Rule 3.10A of the Listing Rules that the number of independent non-executive directors appointed shall be equivalent to one-third of the number of board members.

Each of the independent non-executive Directors has confirmed his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

Save as disclosed in the biographies of the Directors as set out in the section headed “Directors and Senior Management” of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executive of the Company.

All Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve in the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the code provisions under the CG Code requiring Directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identities and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

• INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All newly appointed Directors would be provided with necessary induction training and information to ensure that they have a proper understanding of the Company’s operations and businesses as well as their responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide the Directors with updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company’s performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors are encouraged by the Company to participate in continuous professional development to develop and refresh their knowledge and skills. From time to time, the joint company secretaries of the Company update and provide the Directors with written training materials in relation to their roles, functions and duties.



A summary of training received by the Directors for the year ended 31 December 2021 according to the information provided by the Directors is as follows:

Name of Director	Nature of continuous professional development program
Executive Directors:	
Mr. Li Yunong	A/B/C/D ¹
Ms. Liu Hongwei	A/B/C/D
Mr. Ren Caiyin	A/B/C/D
Mr. Liu Zhanjie ²	A/B/C/D
Ms. Yang Li	A/B/C/D
Mr. Li Yasheng ³	A/B/C/D
Independent non-executive Directors:	
Mr. Guo Litian	A/B/C/D
Mr. Yao Zhijun	A/B/C/D
Mr. Wan Joseph Jason	A/B/C/D

Notes:

1. A: attending seminars and/or conferences and/or forums and/or briefings; B: making speeches at seminars and/or conferences and/or forums; C: participating in trainings provided by law firms and that relating to the business of the issuer; D: reading materials on various topics, including corporate governance, directors' duties, Listing Rules and the amendments to other relevant laws.
2. Mr. Liu Zhanjie has ceased to be an executive Director on 31 March 2021.
3. Mr. Li Yasheng has been appointed as an executive Director on 31 March 2021.

• CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In accordance with the code provision C.2.1 (former code provision A.2.1) of the CG Code, the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual.

Mr. Li Yunong acts as the chairman of the Board. Ms. Liu Hongwei acts as the chief executive officer of the Company (the "Chief Executive Officer"). The chairman of the Board is responsible for the overall formulation of business strategy and guidance of development of the Group, and the Chief Executive Officer is responsible for the overall operations and development of the Group, thus separating these two different positions by function.

• APPOINTMENT OF DIRECTORS

Mr. Li Yunong, Ms. Liu Hongwei, Mr. Ren Caiyin, Mr. Liu Zhanjie (ceased to be an executive Director on 31 March 2021) and Ms. Yang Li have each entered into a service contract with the Company for a term of three years commencing on the Listing Date, which may be renewable automatically for three years and subject to termination in accordance with the provisions of the service contract. Mr. Li Yasheng has entered into a service contract with the Company for a term of three years commencing on 31 March 2021, which may be renewable automatically for three years and subject to termination in accordance with the provisions of the service contract.

Mr. Guo Litian and Mr. Yao Zhijun have each entered into a letter of appointment with the Company for a term of one year commencing on the Listing Date and will remain in effect, subject to termination in accordance with the provisions of the letter of appointment. Mr. Wan Joseph Jason has entered into a letter of appointment with the Company for a fixed term of one year commencing on 6 March 2019 and will remain in effect, subject to termination in accordance with the provisions of the letter of appointment.

None of the Directors has entered into any service contract with the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).



VII. CORPORATE GOVERNANCE REPORT

• BOARD MEETINGS

The Company has adopted the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of no less than fourteen days are given for regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and Board Committee meetings, reasonable notice will be given by the Company. The agenda and accompanying board documents included in the notice of meetings are dispatched at least three days before the date of the Board meetings or Board Committee meetings to ensure that the Directors have sufficient time to review the documents and be adequately prepared for the meetings. When the Directors or the Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the Board prior to the meeting. Minutes of meetings shall be kept by the joint company secretaries with copies circulated to all Directors for reference and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail on the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are/will be sent to the Directors for their consideration within a reasonable time after the date on which the meeting is held. The minutes of Board meetings are open for inspection by the Directors.

For the year ended 31 December 2021, the Board held 8 Board meetings, including 4 regular Board meetings, and held one annual general meeting and one extraordinary general meeting. Attendance of individual Directors at Board meetings and the general meetings are set out in the table below:

Director	Number of actual attendance at Board meetings/ Number of required attendance at Board meetings	Number of actual attendance at general meetings/ Number of required attendance at general meetings
Executive Directors:		
Mr. Li Yunong	8/8	2/2
Ms. Liu Hongwei	8/8	2/2
Mr. Ren Caiyin	8/8	2/2
Mr. Liu Zhanjie ^①	1/1	0/0
Ms. Yang Li	8/8	2/2
Mr. Li Yasheng ^②	7/7	2/2
Independent non-executive Directors:		
Mr. Guo Litian	8/8	2/2
Mr. Yao Zhijun	8/8	2/2
Mr. Wan Joseph Jason	8/8	2/2

Notes:

^① ceased on 31 March 2021.

^② appointed on 31 March 2021.



• MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Specific enquiries have been made to all the Directors and each of the Directors has confirmed that he/she has complied with the code provisions of the Model Code during the year ended 31 December 2021.

For the year ended 31 December 2021, the Company also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standards set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

• DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors will have recourse to seek independent professional advice in performing their duties at the Company's expense. Directors are encouraged to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management of the Company. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management of the Company.

• CORPORATE GOVERNANCE FUNCTIONS

The Board recognizes that corporate governance should be the collective responsibility of the Directors, and their corporate governance functions include:

- (1) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (2) to review and monitor the training and continuous professional development of the Directors and senior management of the Company;
- (3) to develop, review and monitor the code of conduct and compliance manual applicable to the employees and the Directors;
- (4) to develop and review the Company's policies and practices on corporate governance and to make recommendations to the Board and report on relevant matters;
- (5) to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and
- (6) to review and monitor the Company's compliance with the Company's whistleblowing policy.



• BOARD COMMITTEES

• Audit Committee

For the year ended 31 December 2021, the Audit Committee comprised three members, namely Mr. Yao Zhijun (chairman), Mr. Guo Litian and Mr. Wan Joseph Jason, all of whom are independent non-executive Directors.

The main duties and responsibilities of the Audit Committee are as follows:

- (1) to assure that adequate internal controls are in place and followed;
- (2) to assure that appropriate accounting principles and reporting practices are followed;
- (3) to provide liaison among the Shareholders, management of the Company, the authorized independent auditors (the "External Auditor"), internal auditors or any person responsible for internal audit function (the "IA People");
- (4) to consider the qualifications and independence of the External Auditor;
- (5) to satisfy itself as to compliance with any applicable legal requirements;
- (6) to review the representations related to corporate on audit and control made to External Auditor, IA People and to the Shareholders;
- (7) to ensure itself that good accounting and audit policy, internal control, code of conduct and proper business ethics have been followed;
- (8) to contribute towards a climate of discipline, risk management awareness and control within the Group; and
- (9) to perform any other duties as delegated by the Board.

The written terms of reference of the Audit Committee are available for inspection on the websites of the Stock Exchange and the Company.

For the year ended 31 December 2021, the Audit Committee held 2 meetings. A summary of work performed by the Audit Committee is as follows:

- to review the annual results of the Company and its subsidiaries for the current financial year and the audit report prepared by the External Auditor on accounting matters and significant findings during the audit;
- to review the interim results of the Company and its subsidiaries for the six months ended 30 June 2021; and
- to review the financial reporting system, compliance procedures, internal control (including whether the resources, qualifications, training courses and budgets for employees of the accounting and financial reporting departments of the Company were sufficient), risk management system and procedures, and the re-appointment of the External Auditor. The Board had not deviated from any recommendations made by the Audit Committee regarding the selection, appointment, retirement or removal of the External Auditor.



Attendance of the members of the Audit Committee at the meetings is set out in the table below:

Name of Director	Number of attendance/number of meeting
Mr. Yao Zhijun	2/2
Mr. Guo Litian	2/2
Mr. Wan Joseph Jason	2/2

• Nomination Committee

For the year ended 31 December 2021, the Nomination Committee comprised three members, namely one executive Director, Mr. Li Yunong (chairman), and two independent non-executive Directors, Mr. Yao Zhijun and Mr. Wan Joseph Jason.

The main duties and responsibilities of the Nomination Committee are as follows:

- (1) to review the structure, size and diversity (including without limitation, gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's strategy;
- (2) to identify individuals suitably qualified to become Directors and select or make recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable candidates, the Nomination Committee shall consider candidates on merit and against the objective criteria, with due regard for the benefits of diversity of the Board;
- (3) to assess the independence of independent non-executive Directors; and
- (4) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the Chief Executive Officer, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future.

The written terms of reference of the Nomination Committee are available for inspection on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2021, the Nomination Committee held one meeting. The work performed by the Nomination Committee is summarized as follows:

- The Nomination Committee reviewed the structure, size and composition of the Board. The Board Diversity Policy and Directors subject to re-election and retirement by rotation were also reviewed.

Attendance of the members of the Nomination Committee at the meeting is set out in the table below:

Name of Director	Number of attendance/number of meeting
Mr. Li Yunong	1/1
Mr. Yao Zhijun	1/1
Mr. Wan Joseph Jason	1/1



- **Board Diversity Policy and Nomination Policy**

Purposes

- (1) to guide the Board in relation to appointment/re-appointment/removal of Directors;
- (2) to devise criteria for performance evaluation of the independent non-executive Directors and the Board as a whole; and
- (3) to devise a policy on the size and composition of the Board taking into account the suitability, diversity and balance in terms of experience, knowledge, skills and judgment of the Directors.

Board Diversity

The Nomination Committee has formulated the “Board Diversity Policy” in respect of the nomination and appointment of new Directors, which states that, the criteria for selecting Director candidates shall include various diversity factors such as gender, age, cultural and educational background, race, professional experience, skills, knowledge and length of service, and the final candidates will be determined based on their comprehensive capabilities and the contributions they may make to the Board. The Company aims to maintain the balanced and diversified opinions of the Board members in respect of the business development of the Company.

Nomination and Re-election of Board Members

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, and for making recommendations to the Board on the appointment, re-election and succession planning of Directors. After the Nomination Committee makes its recommendations to the Board, the Board will have final authority on determining the selection of the candidates for nomination to the Board.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. The Nomination Committee shall obtain all applicable declarations and undertaking as provided under the laws of the Cayman Islands and the Listing Rules. In case of independent non-executive Directors, the Nomination Committee shall ensure that the independent non-executive Directors meet the criteria of independence as set out in the Listing Rules.

Once the Nomination Committee determines that an additional or replacement Director is required, the Nomination Committee may take such measures that it considers appropriate in connection with its evaluation of a candidate, including candidate interviews, inquiry of the person or persons making the recommendation or nomination, engagement of an external search firm to gather additional information, or reliance on the knowledge of the members of the Nomination Committee, the Board or the management.

According to the Articles of Association, all the Directors shall retire by rotation once at least every three years. Any new Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and be subject to re-election by Shareholders at such meeting, and any Director appointed by the Board as an addition to the Board shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election.

- **Remuneration Committee**

During the year ended 31 December 2021, the Remuneration Committee comprised three members, namely two independent non-executive Directors, Mr. Wan Joseph Jason (chairman) and Mr. Guo Litian, and one executive Director, i.e. Mr. Li Yasheng.

On 31 March 2021, Mr. Liu Zhanjie ceased to be, among others, an executive Director and a member of the Remuneration Committee, and Mr. Li Yasheng was appointed to take up those positions.



The main duties and responsibilities of the Remuneration Committee are as follows:

- (1) to consult the chairman and/or Chief Executive Officer about their remuneration proposals for other executive Directors;
- (2) to make recommendations to the Board on the remuneration policy and structure for the Directors' and the Company's senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (3) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;
- (4) to determine, with delegated responsibility, or to make recommendations to the Board, the remuneration packages of individual executive Directors and senior management. The remuneration packages should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- (5) to make recommendations to the Board on the remuneration of non-executive Directors;
- (6) to consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions elsewhere in the Group;
- (7) to review and approve compensation payable to executive Directors and the senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms;
- (8) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms;
- (9) to ensure that no Director or any of his/her associates (as defined in the Listing Rules) is involved in deciding his/her own remuneration; and
- (10) in respect of any service contract to be entered into between any members of the Group and its Director or proposed Director that requires Shareholders' approval, to review and provide recommendation to the Shareholders as to whether the terms of the service contracts are fair and reasonable and whether such service contracts are in the interests of the Company and the Shareholders as a whole, and to advise Shareholders on how to vote.

The written terms of reference of the Remuneration Committee are available for inspection on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2021, the Remuneration Committee held one meeting, the work performed by the Remuneration Committee is summarized as follows:

- The Remuneration Committee discussed on the Company's remuneration policy, the Company's structure, and Directors' and the senior management's remuneration structure and grant of Options and Share Award Plan, and make recommendations to the Board on such matters.



VII. CORPORATE GOVERNANCE REPORT

Attendance of the members of the Remuneration Committee at the meeting is set out in the table below:

Name of Director	Number of attendance/number of meeting
Mr. Wan Joseph Jason	1/1
Mr. Guo Litian	1/1
Mr. Liu Zhanjie ^①	1/1
Mr. Li Yasheng ^②	0/0

Notes:

^① ceased on 31 March 2021.

^② appointed on 31 March 2021.

• REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remuneration of the Directors and senior management of the Company for the year ended 31 December 2021 falls under the following bands:

Band of remuneration (RMB'000)	Number of individuals
Above 200	9
100–200	3
below 100	3

• DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the audited consolidated financial statements as set out on page 128 of this annual report.

The management has provided to the Board such explanation and data as are necessary to enable the Board to carry out an informed assessment of the Company's audited consolidated financial statements, which are put to the Board for approval. The Company provides all members of the Board with updates on the Company's performance, positions and prospects.

The statement by the auditor of the Company regarding their reporting responsibilities on the audited consolidated financial statements is set out in the section headed "Independent Auditor's Report" on pages 128 to 129 of this annual report.

• RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for supervising the design, implementation and monitoring of risk management system by the management to ensure the establishment and maintenance of an effective risk management system of the Company and its subsidiaries. The Board keeps supervising risk management and internal control systems of the Company and its subsidiaries and reviews the effectiveness of the risk management and internal control systems of the Group at least once annually. Regular reviews also cover all significant controls, including the controls over finance, operation and compliance with laws and regulations, as well as the risk management function of the Company. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.



The Board shall bear full responsibility for maintaining sound and effective risk management and internal control measures to safeguard the assets of the Company and interests of Shareholders. The Directors confirmed that the Company carried out regular inspections on the daily operation, business exploration, investments in acquisition and mergers, internal rules and systems, business procedures, asset management, bidding and tendering processes, contract management, operation procedures, practices and systems through risk control and compliance department to ensure that none of the operating activities of the Company are carried out in violation of the legal requirements in the places where it operates, and safeguard assets from inappropriate use, maintain proper accounts and ensure the compliance with and implementation of relevant regulations.

The internal management mechanism and review procedures currently implemented and put in place by the Company in respect of risk management and compliance management mainly include:

- (1) to prepare a risk list based on the contents and types of risks that are common and likely to be encountered in the Company's operations;
- (2) to further improve and optimize the Company's contract management measures and management system;
- (3) to regularly review and summarize the effectiveness of the Company's risk management, internal control and compliance management systems and measures through pre-established internal assessment mechanisms to achieve effective operations and improve risk management;
- (4) to prepare plans for major risks and common risks and provide training and guidance to the operations department on the relevant plans; and
- (5) to effectively and regularly communicate with the Board and each senior management personnel on risk management, internal control and compliance management to ensure the implementation and practice of the Company's internal risk control and internal audit mechanisms.

The Group established a compliance system of internal control information reporting consisting of internal major information contacts, which mainly includes regular material information reporting and temporary material information reporting, for the purpose of ensuring the effective identification of, and the high efficiency and order of the transmission and usage of, the Group's internal information. The Group complies with requirements of the SFO and the Listing Rules. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is also committed to ensuring that the data contained in announcements are not false or misleading as to a material fact, or false or misleading due to the omission of a material fact with a view to presenting data in a clear and balanced way, which requires equal disclosure of both positive and negative facts. The Company formulated and published systems including the Management System of Information Disclosure as the internal controlling and safeguarding measures for the processing and releasing procedures of inside information and applied them within the Group.

For the year ended 31 December 2021, the Board has reviewed the effectiveness of the Company's risk management and internal control systems through the Audit Committee, including resource adequacy, as well as the qualifications, experience of and the training plans and budgets for the Group's accounting and financial reporting staff. The Directors all consider that the Group's current risk management and internal control systems are operating effectively and sufficiently.



VII. CORPORATE GOVERNANCE REPORT

• DIVIDEND POLICY

The Board considers that stable dividend payment to Shareholders is the primary objective of the Company. It is the policy of the Board, in considering the payment of dividends, to allow Shareholders to share the Company's profits whilst retaining adequate capital for the Group's future growth.

Under the applicable laws of the Cayman Islands and the Articles of Association, all of the Shareholders have equal rights to dividends and distributions. The Board determines the dividend which requires the approval of Shareholders. In addition to cash, dividends may be distributed in the form of Shares. Any distribution of Shares also requires the approval of Shareholders.

The Board takes into account the following factors when considering the declaration and payment of dividends:

- (1) liquidity position of the Company;
- (2) actual and expected financial results of the Company;
- (3) gearing ratio of the Group, Shareholders' interests and any restriction that may be imposed by any creditor;
- (4) general business conditions and strategies;
- (5) capital requirements;
- (6) contractual restrictions on the payment of dividends by the Company to the Shareholders or by the subsidiaries to the Company, if any;
- (7) taxation considerations;
- (8) general economic conditions and other internal or external factors that may affect the business or financial performance and conditions of the Company;
- (9) statutory and regulatory restrictions; and
- (10) any other factors the Board may deem relevant.

The Company will not declare any dividend under the following circumstances:

- (1) during the growth phase of the Company or any acquisitions requiring high allocation of capital or during significant expansion or undertaking of joint ventures;
- (2) whenever the Company proposes or plans to utilize surplus cash to repurchase the Shares;
- (3) when profits are inadequate or the Company incurs losses, or there are reasonable grounds for believing that the Company is or would be, after a dividend payment, unable to pay its liabilities or discharge its obligations as and when they become due; and
- (4) according to other requirements set forth by laws.

The Board will continually review the dividend policy from time to time and no assurance can be given that dividends will be paid in any particular amount for any given period.



• AUDITOR'S REMUNERATION

For the year ended 31 December 2021, the Company appointed Ernst & Young as the External Auditor. The approximate remuneration of the auditor in respect of the audit and non-audit services provided to the Company for the year ended 31 December 2021 is as follows:

Type of services	Amount (RMB'000)
Audit services	1,930
Non-audit services	50
Total	1,980

• JOINT COMPANY SECRETARIES

Mr. Zheng Tieqiu ceased to serve as a joint company secretary of the Company with effect from 25 October 2021. On the same day, Mr. Yang Yang ("Mr. Yang") was appointed to take his place. The joint company secretaries of the Company are responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are complied with.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable laws of Hong Kong, the Company also engages Ms. Wong Sau Ping ("Ms. Wong"), an associate director of TMF Hong Kong Limited (a global corporate service provider), as the other joint company secretary of the Company to assist Mr. Yang to discharge his duties as joint company secretary of the Company. Mr. Yang is the primary contact person of Ms. Wong at the Company.

For the year ended 31 December 2021, Mr. Yang and Ms. Wong have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

• COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information on the Company, which enables Shareholders and investors to make informed investment decisions.

Annual general meetings provide opportunities for Shareholders to communicate directly with the Directors. The chairman of the Company and the chairmen of the Board Committees will attend the annual general meetings to answer questions from the Shareholders. The External Auditor will also attend the annual general meetings to answer inquiries concerning the conduct of the audit, the preparation and contents of the auditor's report, the accounting policies and auditor's independence.

To promote effective communication, the Company adopts a Shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and its Shareholders and maintains a website at www.21centuryedu.com and enquiry channels for investors (telephone: +86 10 65951509; email: ir@21stedu.com), where updates on the Company's business operations and development, corporate governance practices and other information are available for public access. Shareholders may make enquires about the Company to the Board through the channels above.



VII. CORPORATE GOVERNANCE REPORT

• SHAREHOLDERS' RIGHTS

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

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

• CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

According to the Articles of Association, Shareholders may put forward proposals for consideration at the general meetings of the Company. Any one or more Shareholder(s), at the date of deposit of the requisition, holding not less than one-tenth of the paid up share capital of the Company carrying the right of voting at the general meetings of the Company shall at all times have the right, by written requisition to the Board or any one of the joint company secretaries of the Company to require an extraordinary general meeting to be called 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 after such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself/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 to convene such general meeting shall be reimbursed to the requisitionist(s) by the Company.

For recommending a Director candidate, please refer to the relevant procedures on the Company's website.

• AMENDMENTS TO THE CONSTITUTIONAL DOCUMENTS

For the year ended 31 December 2021, the Articles of Association have not been amended and restated.



ABOUT THIS REPORT

Brief Introduction

This Environmental, Social and Governance Report (the “Report”) is the fourth Environmental, Social and Governance Report issued by 21st Century Education. The Report will mainly focus on the management and performance of 21st Century Education in ESG aspects, with an aim to present the Company’s ESG strategy and performance in ESG for 2021 to all key stakeholders of 21st Century Education, so that they are fully aware of the Company’s sustainable development philosophy and actions.

For information on our performance in corporate governance, please refer to the section headed “Corporate Governance Report”.

Reporting Scope

Unless otherwise stated, the Report covers the educational institutions of 21st Century Education in the PRC, including the related businesses of Shijiazhuang Institute of Technology, Saintach Tutorial Schools and Saintach Kindergartens. The time period covered by the Report is from 1 January 2021 to 31 December 2021 (the “Reporting Period”), same as that of the 2021 annual report.

Reporting Standards

The Report is prepared with reference to the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) set out in Appendix 27 of the Listing Rules amended by the Stock Exchange in 2019.

The Report has complied with all the “mandatory disclosure requirements” and “comply or explain” provisions in the ESG Guide of the Stock Exchange and has prepared with reference to the reporting principles in the ESG Guide. The reporting principles applied in the Report are as follows:

- Materiality: the purpose of ESG Report is designed to respond the key environmental and social issues concerned by stakeholders. Therefore, we carry out materiality assessment on issues with diversified communication channels, including inviting stakeholders to participate in questionnaires and senior management to determine key ESG issues and the Board confirms the materiality assessment. Detail of the process and results of the assessment are set out in the section headed “Materiality Assessment”.
- Quantitative: we have disclosed information related to the standards, methods, assumptions and/or calculation tools adopted in quantitative relevant KPIs and the sources of conversion factors when disclosing our performance in the environmental and social aspects.
- Balance: the Report provides an unbiased picture of our performance during the Reporting period to avoid any selection, omission or misleading presentation format that may inappropriately influence the reader’s judgment.
- Consistency: the method of statistics adopted in the ESG report is consistent with that in the previous reporting periods, in order to enhance the comparability of the underlying performance.

Cautionary Statement

The Report has been prepared and published in Traditional Chinese and English. In the event of any inconsistency, the Traditional Chinese version shall prevail. Soft copy of the Report is available for reading and downloading on the official websites of 21st Century Education and the Stock Exchange.



VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Contact Information

21st Century Education attaches great importance to the views, opinions and suggestions of the stakeholders. Should you have any enquiry or comment on the content of the Report, please feel free to contact us through the following:

Telephone: 010-65951509

Email: ir@21stedu.com

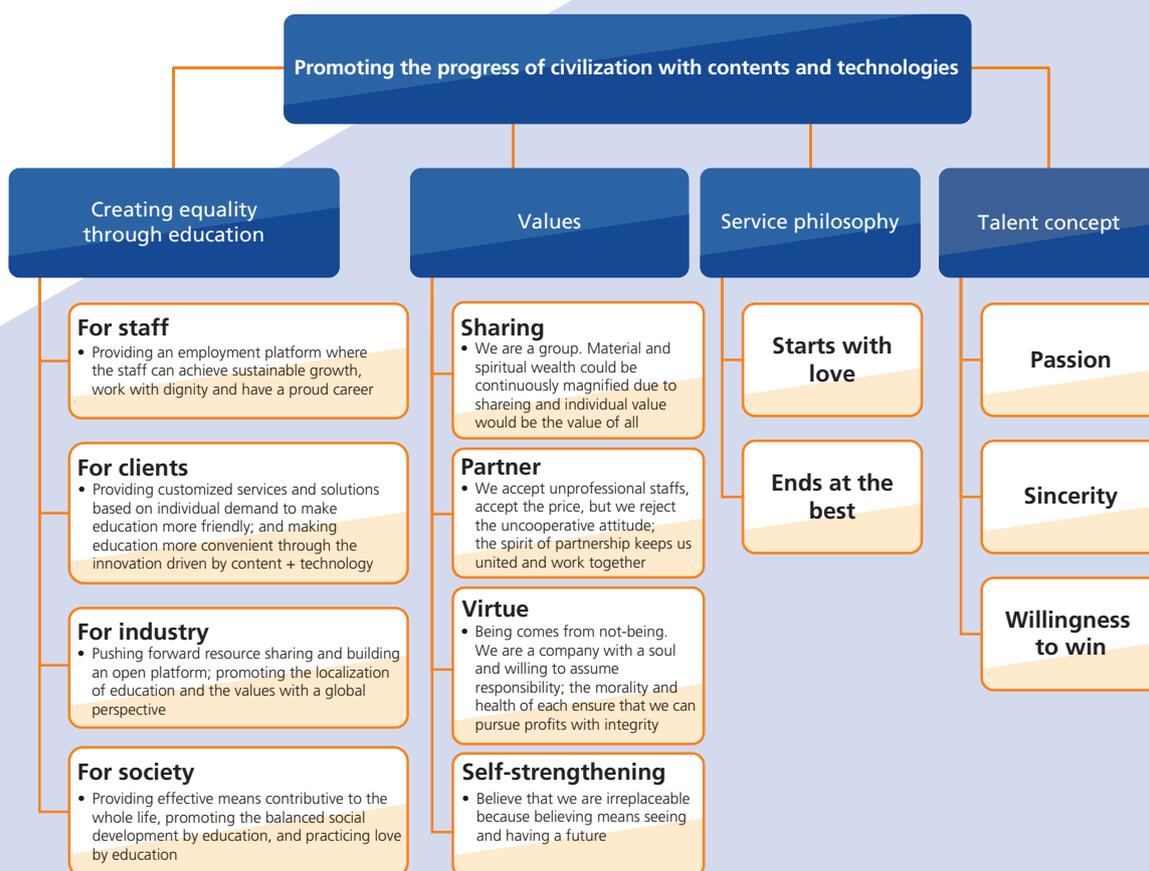
Company address: 15th Floor, South Tower, Zhonghai Plaza, Chaoyang District, Beijing



ABOUT 21ST CENTURY EDUCATION

Focusing on the operation and content incubation of the education industry, and adhering to the vision of “promoting the progress of civilization with contents and technologies”, 21st Century Education has addressed itself to improving the efficiency and customer experience of education operation by virtue of technologies empowerment. Since the establishment of its first school in 2003, the Company has made notable achievements over the past 20 years to become a comprehensive education group focusing on vocational education and continuing education and actively put the development direction of industry-education integration into practice, covering Beijing-Tianjin-Hebei and the Yangtze River Delta regions, with diversified revenue streams and a broad customer base.

As of the end of the Reporting Period, 21st Century Education has established 14 schools, including one private college (Shijiazhuang Institute of Technology) in the field of vocational education, 2 Peijian Tutorial Schools, 3 Shinedao Tutorial Schools and 8 Saintach Kindergartens and are responsible for the custody of the west campus of Sifang College.





SUSTAINABILITY GOVERNANCE

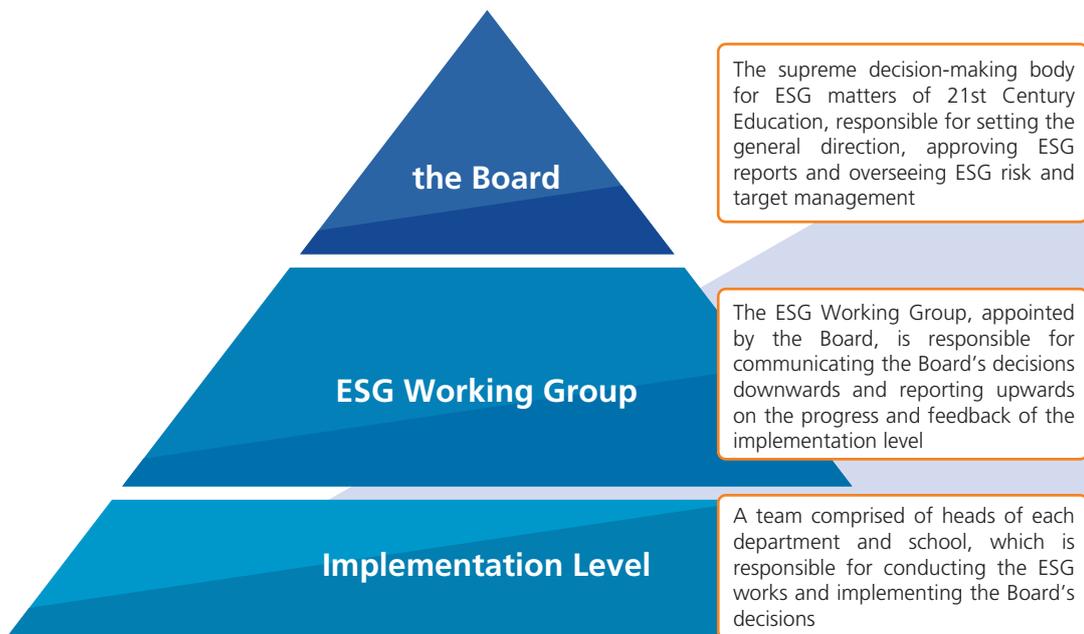
ESG Structure

In addition to our commitment to education, 21st Century Education also actively promotes the development of a low-carbon economy. We actively undertake the responsibilities with respect to environment, society and governance and have gradually incorporated the concept of sustainable development into our daily work and strategic planning through a top-down ESG system, in response to the country's call to create sustainable value for society.

21st Century Education's ESG issues and reporting are under the charge of the Internal Control Department and supervised by the Board during the whole process. The Board is the supreme decision-making body for overseeing 21st Century Education's ESG matters, formulating ESG risk management strategies and management guidelines, and approving ESG reports. It regularly conducts ESG assessments, prioritises and manages the potential impact, risks and opportunities on operations. At the same time, the Board assesses the ability of senior management and functional departments to meet their ESG responsibilities and initiates internal audits to ensure high-quality information disclosure of ESG reports.

21st Century Education has established a governance structure with the Board as the leader, the ESG Working Group as the link, and the heads of each department and school district working together to conduct ESG work. The Board is responsible for setting the strategic direction of ESG, benchmarking ESG data against peers, conducting regular target reviews and guiding the continuous improvement of ESG management through target splitting, so as to ensure the effectiveness of ESG risk control and internal control mechanisms.

The ESG Working Group ("Working Group") under the Board comprises core members from different departments. The Working Group collects information and data through questionnaires, interviews and research, and is responsible for the preparation of ESG reports. The Working Group reports regularly to the Board to help identify and assess the ESG risks of 21st Century Education and the effectiveness its internal control mechanisms. In addition, the Working Group also reviews and evaluates our performance in various aspects of ESG, such as environmental and labour standards.





COMMUNICATION WITH STAKEHOLDERS

The sustainable development of 21st Century Education is closely related to our stakeholders. In order to clearly understand the expectations and opinions of the internal and external stakeholders of the Group, we have established diversified communication channels with them and understand their specific needs through contacts in the course of our business. We maintain effective and long-term communication with investors, government and regulatory authorities, students and parents of the student, which is helpful for us with respect to sustainable development strategic planning and ESG management.

Stakeholders	Expectations and demands	Communication channels
Investors (Shareholders)	<ul style="list-style-type: none"> • Results performance • Latest operational information 	<ul style="list-style-type: none"> • Performance briefing • Meetings for operational information • Disclosure of the information
Media	<ul style="list-style-type: none"> • Corporate development • Corporate-related activities 	<ul style="list-style-type: none"> • Press conference • Interview • Online exhibition hall
Government	<ul style="list-style-type: none"> • Safe and compliant operations • Contribution to the development of economy and society 	<ul style="list-style-type: none"> • Accepting supervision • Disclosure of the information • Attending meetings
Industry association	<ul style="list-style-type: none"> • Promotion of sound development of the industry 	<ul style="list-style-type: none"> • Attending activities and meetings hosted by association • Holding the post of the president of the association
Staff (including faculty)	<ul style="list-style-type: none"> • Comfortable and healthy working environment • Good development platform • Platforms and opportunities to communicate with management • Protect the rights and interests of staffs 	<ul style="list-style-type: none"> • Staff discussions • Work meetings • Training and other activities • Annual meetings and carnival activities • Staff appraisals
Students and parents	<ul style="list-style-type: none"> • Teaching quality provided by the school • Safe and healthy educational environment for students 	<ul style="list-style-type: none"> • Faculty and student symposium • Questionnaire survey • Holding parent conferences • Daily interaction • Public service seminar • Home visit



VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Display of communication activities with some stakeholders during the Reporting Period



On 15 April 2021, 21st Century Education organized the first session of the business system tea party of the culture division of the quality-oriented education section.



On 28 April 2021, 21st Century Education participated in the “New Era, New Women (新時代·新女性)” seminar held by Shijiazhuang Private Education Association (石家莊市民辦教育協會), at which pioneers, participants and contributors of private education shared their own experiences. Specifically, the vice president of 21st Century Education, as one of the speakers, shared her experience in the education industry at the seminar, and advocated the concept of “putting your heart and soul into education (要拿出靈魂給教育)”.

Parent Satisfaction Questionnaire for Kindergarten

Parent Satisfaction Questionnaire for Kindergarten

Qinghui Kindergarten

Fukang Kindergarten

Total respondents and percentage to all parents

Total respondents and percentage to all parents

Name of Kindergarten	No. of students	No. of respondents returning questionnaire	Percentage of respondents returning questionnaire
Qinghui Kindergarten	250	232	93%

Name of Kindergarten	No. of students	No. of respondents returning questionnaire	Percentage of respondents returning questionnaire
Fukang Kindergarten	250	232	93%

In 2021, 21st Century Education conducted parent satisfaction questionnaires in its all eight kindergartens, which enabled us to fully understand the parents’ opinions and feedback on the teaching activities in kindergartens, so that we could comprehensively review our teaching activities to obtain meaningful data and suggestions for the improvement of their quality in kindergartens in the future.



In December 2021, 21st Century Education was invited to participate in the “GuruClub Global Investment Carnival 2021” organized by GuruClub, a leading global investment research platform in China, and consecutively bagged the “Best Information Disclosure Award” for the best listed companies in Greater China in 2021.

Materiality Issues Assessment

21st Century Education is committed to responding to the demands of our stakeholders. In order to disclose the contents of the report in a targeted manner and to further promote the Group’s sustainable development efforts, we conducted a materiality assessment survey during the Reporting Period to identify ESG issues of concern to various stakeholders. A total of 855 valid questionnaires were collected in the survey.



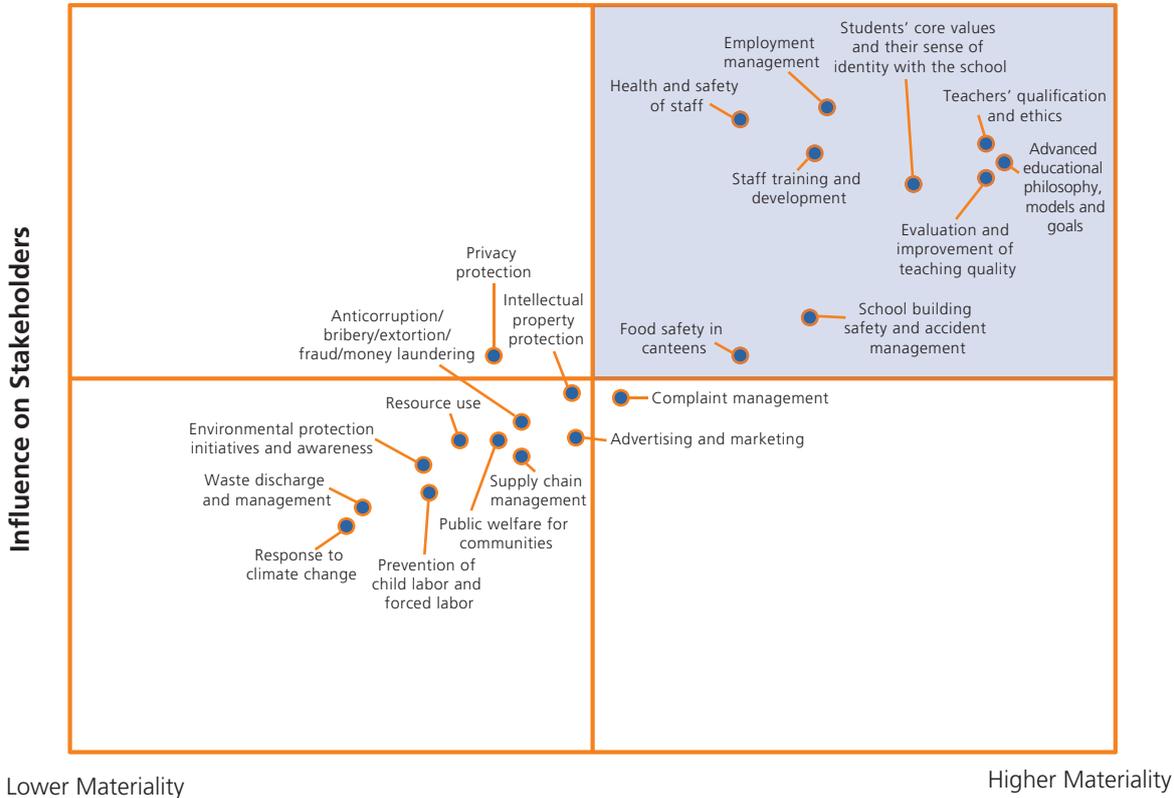
1. Based on the analysis of “the influence by the enterprise” and “the influence on the enterprise”, the key stakeholders were selected for filling in the questionnaire.
2. Based on the analysis of the ESG Guidelines, industry issues and enterprise characteristics, a database of 21st Century Education’s ESG issues for 2021 was updated, and then the topics with high relevance to 21st Century Education were selected and used in the survey.
3. A questionnaire was prepared to allow key stakeholders to make materiality judgments on screened materiality issues.
4. Issues scoring 5 or more out of 10 both in the dimensions of “the influence on stakeholders” and “the influence on 21st Century Education” were identified as material issues and the materiality analysis result was thus finalized.
5. The analysis result was ultimately confirmed by the Board to determine the material issues in 2021 of 21st Century Education.



VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Higher Materiality

Materiality Matrix Analysis of 21st Century Education



Lower Materiality

Higher Materiality

Influence on 21st Century Education

We analyzed 21 potentially material issues and identified a total of nine material issues. In response to stakeholders' concerns, we will detail in the Report our policies, initiatives and performance in relation to material issues during the Reporting Period. In future, we will also review 21st Century Education's approach to sustainability governance and adjust it to meet stakeholders' expectations in light of material issues.

Materiality Issues (Materiality by order)

1. Teachers' qualification and ethics
2. Advanced educational philosophy, models and goals
3. Employment management
4. Evaluation and improvement of teaching quality
5. Students' core values and their sense of identity with the school
6. Staff training and development
7. Health and safety of staff
8. School building safety and accident management
9. Food safety in canteens

Responding section of this report

Professional and Moral
 Advanced Philosophy and Innovative Model
 Standardizing Employee Management System
 High Quality Teaching for Common Future
 Gathering Strengths via Ideological Construction
 Improving Employee Training System
 Protecting Employee Health and Safety
 Safeguarding Campus Safety
 Implementing Food Safety

HIGH QUALITY TEACHING FOR COMMON FUTURE

With innovative education system and standardized management system, 21st Century Education helps students cultivate comprehensive quality to the greatest extent. We insist on using content and technology to promote the development of education, facilitate the construction of resource sharing and open platform, and drive the localization of education and the globalization of value.

Case: The “Best Education Company (最佳教育公司)” award of the 5th Golden Hong Kong Stock Awards



In January 2021, 21st Century Education was invited to participate in the “Capital Market Forum and the 5th Golden Hong Kong Stock Awards Ceremony (資本市場論壇暨第五屆金港股頒獎盛典)” and won the “Best Education Company (最佳教育公司)” award.

Case: 21st Century Education was selected as members of the Zhongguancun Science City Internet Education Industry Development Alliance (中關村科學城互聯網教育產業發展聯盟)



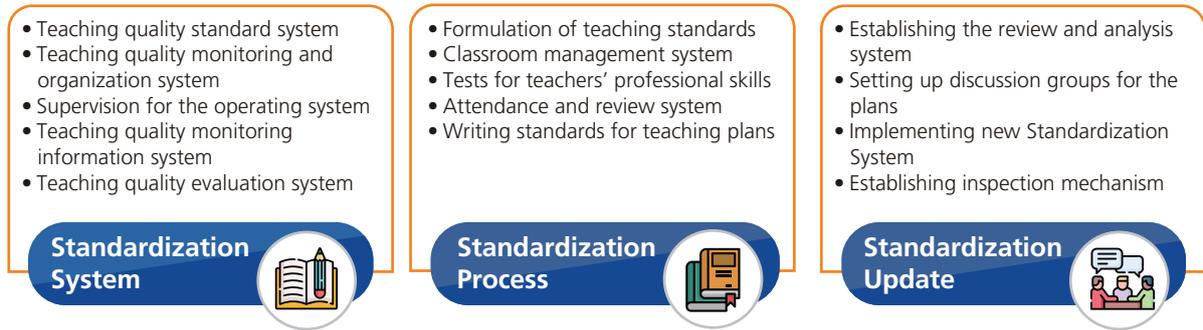
In January 2021, approved by the Zhongguancun Science City Internet Education Industry Development Alliance (中關村科學城互聯網教育產業發展聯盟) and reviewed by the Secretariat, 21st Century Education was selected as members of the Zhongguancun Science City Internet Education Industry Development Alliance (中關村科學城互聯網教育產業發展聯盟).

Advanced Philosophy and Innovative Model

The quality teaching is the most valuable asset of a modern educational institution. 21st Century Education strictly abides by requirements of various laws and regulations including the Education Law of the People’s Republic of China, the Law of the People’s Republic of China on the Promotion of Private Education and the Regulations of Hebei Province on Private Education in relation to teaching quality and standardization of the private education, and has established a series of educational strategies and policies to standardize teaching and learning, such as the Control System and Evaluation System for Teaching Quality (the “Standardization System”), the Manual on the Standardization of Teaching Process (the “Standardization Process”), and the Measures for the Update and Maintenance of Corporate Standardization Management System (the “Standardization Update”) to ensure that all teaching sections meet the corresponding quality standards in accordance with the regulations.



VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



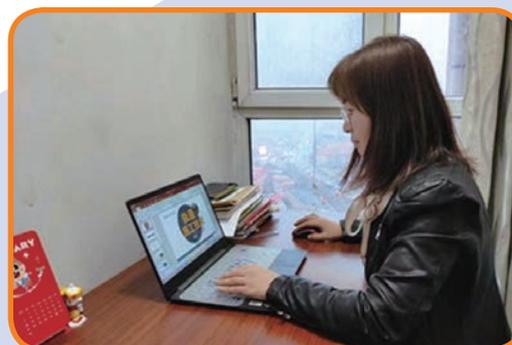
To ensure the quality of teaching and learning in all schools, schools at all levels have introduced advanced information technology tools to strengthen the supervision and monitoring of education quality, evaluation and guidance to ensure that education activities are legal and compliant, while introducing a number of systems, policies and activities to improve the quality of teaching services and professionalize teaching:

<p>Institute of Technology</p> 	<ul style="list-style-type: none"> • Institute of Technology has formulated the “Management Measures for Teaching Supervision Work of Shijiazhuang Institute of Technology” (《石家莊理工職業學院教學督導工作管理辦法》) and set up a teaching supervisory committee to carry out comprehensive supervision work, which is responsible for supervising teaching & learning and management of the teaching process of the whole institute through inspection, listening to classes, seminars, special inspections and research.  <ul style="list-style-type: none"> • On 22 September 2021, Institute of Technology held its annual teaching supervisory meeting (2021–2022). • Institute of Technology implemented the system of listening to lectures by leading cadres and formulated the System of Listening to Lectures by Leading Cadres of Shijiazhuang Institute of Technology (《石家莊理工職業學院領導幹部聽課制度》), which is not only a powerful manifestation of its emphasis on teaching, but also an important part of the teaching quality assurance and monitoring system, helping the institute to continuously improve teaching quality and raise teaching efficiency.
<p>Kindergartens</p> 	<ul style="list-style-type: none"> • Kindergartens have established the “Demonstration Class Rating Standard of Saintach Kindergartens” (《新天際幼兒園示範課評分標準》) to evaluate and monitor the quality of teachers’ teaching from five perspectives: teacher quality, teaching design, teaching process, teaching effect and teaching creativity to ensure that teachers’ teaching levels and quality meet the standards.



During the COVID-19 pandemic (the “pandemic”), 21st Century Education still maintained good teaching quality, steadily promoted online teaching during the pandemic prevention and control period and actively mitigated the impact of the pandemic on teaching. In order to ensure that the quality of online teaching and offline classroom teaching is substantially equivalent, the Office of Teaching and Research, under the unified leadership of the pandemic prevention and control leading team of Institute of Technology, formulated the “Plan for Online Teaching Quality Monitoring” to stipulate the relevant work requirements. At the same time, Institute of Technology adopted a multi-level lecture system, and managers at all levels of the institute supervised and inspected online teaching at the classrooms.

Case: Online teaching conducted by Institute of Technology smoothly and orderly



The online teaching in the spring semester was carried out in an orderly manner on 1 March 2021. Institute of Technology adopted a variety of teaching methods, to continuously promote the reform of education and teaching, such as “online first-class courses”, “offline first-class courses”, “online-offline mixed first-class courses” and “online open courses”. In the first week of online teaching, a total of 469 online teaching courses were carried out, and the courses were opened as scheduled as much as possible, with more than 12,000 students participating in online learning.

Education Technology for the Future

In terms of technology empowerment, adhering to the development mission of “promoting the progress of civilization with contents and technologies”, 21st Century Education leverages educational technology to empower the layout of the vocational education industry, so as to create digital colleges with the construction of “Smart Campus” and “Data Center”.

 <p>Building a “Smart Campus (智慧校园)” system</p>	<ul style="list-style-type: none"> Through providing hardware facilities such as network infrastructure, standard examination venues, broadcast and security, as well as improving and upgrading software platforms such as student management system and teaching management system, we built a digital platform that covers all scenarios of students from admission to graduation, to improve the management level of schools and students.
 <p>Improving the “Sousou Smart School (嗖嗖智校)” system</p>	<ul style="list-style-type: none"> It is used for student life-cycle management such as enrollment management, orientation, financial management, online payment, teaching and learning, internship training, and targeted employment, etc. It also integrates with “Smart Campus” to build a knowledge map and behavior model for students, realizing campus big data cockpit and personalized vocational education.
 <p>“Tianze Talent (天择人才)”</p>	<ul style="list-style-type: none"> It is an integrated platform for employment, entrepreneurship and management services. Catering for students from higher educational institutions and enterprises, it targets positions in industries where there is a shortage of high-skilled talents (such as production, manufacturing and the internet), and facilitates the transformation and upgrade of the talent training model. With an aim of improving the quality of nurturing talent, it is an integrated platform providing coordinated planning and establishing comprehensive management and services of employment and entrepreneurship education, with over 1,000 registered enterprises as well as over 20,000 employment opportunities for graduates.
 <p>“Data Center” and “Digital Billboard”</p>	<ul style="list-style-type: none"> We established a standardized data chain operation system by re-developing the business process and developing digital pointer system and visualization platform for real-time target tracking, forecasting and data penetration, to improve the overall operational efficiency of the Group.



VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Case: Cooperation with Gaoyi County of Hebei Province to build a campus that integrates high-tech industries and education



In April 2021, 21st Century Education and the People's Government of Gaoyi County of Shijiazhuang City of Hebei Province agreed on the cooperation intention with respect to the industry-education integration and synergetic development in Gaoyi County, jointly attracting well-known high-tech enterprises to build productive training centers, research institutes and so on.

In addition, Institute of Technology actively promoted the in-depth cooperation between schools and enterprises, and promoted industry-education integration, the theory-practice integration, technology-culture integration and the integration of modern information technology and teaching. So far, it has established long-term cooperation relationship with 703 domestic and foreign famous enterprises, including Haier Group Corporation, Panasonic Corporation, Huawei Technologies Co., Ltd. and Country Garden Holdings Company Limited. There are 55 on-campus experimental training centers and 208 off-campus training bases.

Gathering Strengths via Ideological Construction

On top of teaching quality, 21st Century Education attaches great importance to the quality education of students. Adhering to the student-centered educational philosophy, it wholeheartedly provides high-quality services to students to achieve the goal of quality education, so as to cultivate students' correct values. While developing majors by industry-education integration, we put moral education into the whole process of teaching, which requires improving students' comprehensive development in five aspects, namely moral character, vocational quality, humanistic quality, physical and mental quality, and innovative and entrepreneurial quality. Also, we conduct innovation competition, performance, judge and commendation to gather team spirit, strengthen collective concept among students and enhance their collective concept, aiming to shape a better campus atmosphere.

Case: A series of patriotic education activities launched by Institute of Technology



In September 2021, Institute of Technology launched a series of patriotic education activities, including patriotic education lectures, patriotic education theme movie viewing activities, national flag-raising ceremony and public sacrifice activities on National Memorial Day, so as to cultivate patriotism among freshmen and to train up a competent reserve army of the party.

Case: Institute of Technology held "Constitutional Knowledge Contest"



In order to encourage more students to pay attention to, understand and master legal knowledge, and ensure students to "know, understand, abide by and apply the law", in response to the National Constitution Day on 4 December, Institute of Technology launched the first Constitutional Knowledge Contest on 7 December 2021. Students learn daily practical legal knowledge in an interactive and interesting way through quiz, which can effectively enable student to apply the legal knowledge learnt, practice law in life and enjoy life in law.



Case: "Intangible Cultural Heritage Entering Campus-Unveiling Ceremony of Intangible Cultural Heritage Workshop" in Institute of Technology



On 31 December 2021, the "Intangible Cultural Heritage on Campus-Unveiling Ceremony of Intangible Cultural Heritage Workshop" was held in Institute of Technology. The establishment of the Intangible Cultural Heritage Workshop indicates the inheritance and educational characteristics of intangible cultural heritage projects in Institute of Technology, and the protection of loyalty to and colorful publicity of intangible cultural heritage.

Management System for Complaints

21st Century Education attaches importance to the feedback and opinions from students and parents. We have been putting in place a clear complaint handling mechanism and ensure that every complaint can be handled properly. Therefore, we have standardized the process of complaint management and formulated relevant systems, comprising such internal policies as the Management System for Complaints from Parents/Students (《家長／學生投訴管理制度》) and the Management Measures of Shijiazhuang Institute of Technology for Filing Complaints by In-school Students (《石家莊理工職業學院學生校內申訴管理辦法》). We hope that with these standardized procedures, we can improve the efficiency of staff in handling complaints and implement a resolution mechanism to ensure that the opinions from students and parents are taken seriously and dealt with.

In addition, we opened a variety of complaint channels, such as reaching out to us face to face complaints, complaining by phone, letter or suggestion box. We may conduct a serious internal investigation according to the contents of the complaint, identify the causes of problems, and record the investigation and handling process to ensure that the problems are properly settled. We also implement a reward and punishment system and a confidentiality system for whistleblowers, encourage their opinions and protect their privacy, treat their opinions and feedback positively, and constantly pursue a better education system and school quality.

During the Reporting Period, we had not received any complaints from students or parents.



LIFE ORIENTATION AND PROTECTION

As a responsible educational institution, 21st Century Education must put campus safety management in the first place. We strive to create a safe and stable campus environment where students and teachers to enjoy campus life without worry.

Safeguarding Campus Safety

21st Century Education has instituted a safety management system to ensure the life safety of teachers and students and the property safety of the school in strict accordance with the Education Law of the People's Republic of China (《中華人民共和國教育法》), the Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》), the Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》), the Regulations on the Fire Safety Management of Colleges and Universities (《高等學校消防安全管理規定》), the Interim Regulations for Safety Education and Management of Students in Regular Institutions of Higher Education (《普通高等學校學生安全教育及管理暫行規定》), the Measures for Safety Management of Middle, Primary Schools and Kindergartens (《中小學幼兒園安全管理辦法》), and the School Safety Regulations of Hebei Province (《河北省學校安全條例》). In addition, we constantly instill safety awareness and related crisis response methods to students and faculties through regular education, training and drills on epidemic prevention and firefighting safety. During the Reporting Period, we strictly abided by national and regional laws and regulations on health and safety, and had not received any complaints or lawsuits against relevant laws and regulations.



VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

21st Century Education has developed comprehensive internal safeguard measures, monitoring mechanisms and emergency response guidance in accordance with laws and regulations such as the Measures for the Handling of Student Injury Accidents (《學生傷害事故處理辦法》). These are conducive to identifying and eliminating potential hazards by the school as soon as possible, the proper handling of student injury incidents and maintenance of normal education order and safety. To reduce and prevent safety incidents, each of the schools under 21st Century Education has formulated corresponding safety management measures as follows according to their actual management needs:

Institute of Technology



For all kinds of safety issues in teaching and dormitory areas, we has formulated the Regulations of Shijiazhuang Institute of Technology on the Education and Management of Student Safety (《石家莊理工職業學院學生安全教育及管理規定》), Safety Emergency Plan of Shijiazhuang Institute of Technology (《石家莊理工職業學院安全應急預案》), Regulations of Shijiazhuang Institute of Technology on Accommodation Management (《石家莊理工職業學院住宿管理規定》), the Safety System Compilation of Shijiazhuang Institute of Technology (《石家莊理工職業學院安保制度匯編》), the Safety Management Systems of Shijiazhuang Institute of Technology for Training Room (《石家莊理工職業學院實訓室安全管理制度》) and other policies, and updated the Student Emergency Response Plan of Shijiazhuang Institute of Technology (《石家莊理工職業學院學生突發事件應急處理預案》), so as to create a safe campus environment. Under the guideline of “focusing on preventive measures and always staying vigilant” and the principles of “unified leadership, hierarchical responsibility, timely response and decisive measures”, the series of policies cover safety management, inspection and examination, accident handling and safety education, and set out strict safety management rules and guidelines for dormitory areas and their daily management.

In response to the needs of fire safety management, we has issued regulations such as Fire Safety Management System of Shijiazhuang Institute of Technology (《石家莊理工職業學院消防安全管理制度》) to systematically establish the fire response management structure, daily fire management requirements and the procedures of fire response such as emergency evacuation.

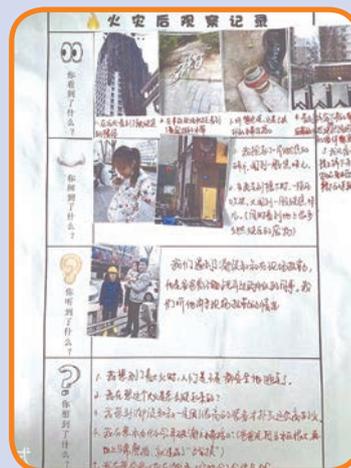
In order to strengthen the emergency management of the Library, Institute of Technology has formulated the Safety Emergency Plan of Library (《圖書館安全防範應急預案》) based on the actual situation of the Library. It covers emergency plans for fire, electric shock, theft, power outage, pandemic control and earthquake, ensuring that accidents or losses caused by emergencies are prevented and reduced maximumly.

As for further enhancing the prevention and control of the pandemic, managing the enclosed management of school since the spring semester in 2021, we have accordingly formulated the Safety Management System for Enclosed Management of School (《封校安全管理制度》). With three major actions in place, including strengthening the enclosed management of school, enhancing school gate management and health management of persons from outside, we help to prevent and control the pandemic and guarantee the safety of faculty and students. In addition, the Notice on Addressing the Prevention and Control of the Pandemic (《關於切實做好當前疫情防控工作的通知》) and the Notice of Requirements on Preventing and Controlling the COVID-19 Pandemic and Emergency Disposal (《關於做好新冠肺炎疫情防控和應急處置工作有關要求的通知》) have been issued, which cover controlling gatherings, conducting strict nucleic-acid testing, ensuring adequate stockpiles of pandemic prevention materials, caring for the needs and difficulties of students staying in school, conducting publicity and public opinion monitoring, and strengthening the overall leadership of the Party, to implement hierarchical responsibilities and achieve comprehensive management and the pandemic control.



<p>Tutorial Schools</p> 	<p>In order to prevent and reduce the occurrence of security incidents, we has formulated and promulgated some documents such as Safety Management Systems of Saintach Education (《新天際教育安全管理制度》), such policy mainly regulates safety-related issues such as students’ behavior during class break, electrical usage safety during teaching activities. They also strictly clarifies the responsibilities of teachers’ care, classroom management and student status, as well as extra-curricular activities, non-school personnel entry and exit, and other issues. If a safety incident occurs, the teacher in charge are required to deal with it in a timely manner, promptly take the student to a doctor or for special care, and notify the supervisor and the students’ parents.</p>
<p>Kindergartens</p> 	<p>The Safety Management Standardization Manual for Saintach Kindergartens (《新天際幼兒園安全管理標準化手冊》) and other policy documents were formulated to realize safety management, normal teaching activities and smooth operation. These documents focus on the prevention and emergency response of common and sudden diseases and accidental injuries of children, including the prevention and settlement of the risks of infectious diseases against children and prevention, the risks in the children’s pick-up process and their prevention, the risks in the diet and sleep of children and their prevention, the risks during free activities and outdoor activities of children and their prevention, and the risks in the outdoor activities of children and their prevention. Subject to the cases, analysis and specific requirements are provided on the cause, prevention and treatment of each safety issue.</p>

Demonstration of fire safety activities and epidemic prevention measures launched during the Reporting Period:



On 19 March 2021, our Kindergartens called on parents to bring their children to observe the Zhongxin Building (眾鑫大廈) after the fire, let children record what they saw and learnt, and complete the “Post-Fire Observation Record” forms with pictures and words. This activity allowed children to witness the hazards caused by fire and accordingly improved their awareness of fire safety. After the activity was finished, more than 100 observation record and feedback forms from parents and children were received.



VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



In 2021, Institute of Technology carried out daily disinfection.



On 30 August 2021, Kindergartens carried out thorough disinfection and cleaning before the opening day. Each teacher was tested for nucleic acid.



On 8 September 2021, Shi Congping (史聰平), vice chairman of the CPPCC of Luquan District, and his delegation visited Institute of Technology to inspect the normalized pandemic prevention and control work. In strict accordance with the requirements of the superior, Institute of Technology further strengthened publicity and education on pandemic prevention and control, fulfilled its responsibility for pandemic prevention and control, and firmly built a pandemic prevention and control barrier in the institute.



Implementing Food Safety

21st Century Education has developed a series of management systems and work requirements under Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法》), the Regulations on the Sanitation Management of Student Canteens and Collective Student Meals (《學校食堂與學生集體用餐衛生管理規定》) and other laws and regulations. With these measures, we strictly monitor the school canteen and food suppliers to prevent any health and safety accident of school teachers and students arising from food quality. The Institute of Technology and Kindergartens under 21st Century Education provide dining service during the teaching service process, and prohibit the purchase and sale of food that do not meet safety standards and requirements, so as to ensure the health of every student and teacher.

During the Reporting Period, 21st Century Education and its subordinate schools did not aware of any food safety risks or any food safety accidents occurred.

Institute of Technology



In order to implement the national food safety regulations, Institute of Technology issued the Standardized Operation Manual for the Canteen Merchants in Shijiazhuang Institute of Technology (《石家莊理工職業學院食堂商戶標準化操作手冊》), the Standardized Canteen Management Manual of Shijiazhuang Institute of Technology (《石家莊理工職業學院食堂標準化管理手冊》), the Emergency Plans for Food Poisoning of Shijiazhuang Institute of Technology (《石家莊理工職業學院食物中毒應急預案》), the Management System for Canteen Food Procurement and Processing (《食堂食材採購及加工管理制度》), the Management System for Canteen Cold Chain Food (《食堂冷鏈食品管理制度》) and other rules. A food safety self-disciplined body of canteen, which is with the head of the institute as the first person responsible, is mainly responsible for improving relevant regulations and rules, creating emergency response mechanism and measures, as well as implementing and supervising every task of food safety, and informing food processing and producing staff of updated safety management rules in a timely manner.

Furthermore, we strictly monitor the procurement process of food ingredients, demand proof of qualification from suppliers before entering into contracts with them, to enhance the management of canteen suppliers. To ensure the freshness and quality of the ingredients, we carry out food inspection and verification and strictly control the volume of food. Meanwhile, we also raise establish specific requirements for the operation staff and canteen operation room and require relevant personnel to comply with it.

In order to strengthen food hygiene management in the institute and effectively control the occurrence of food poisoning and other foodborne diseases in the college, we developed the School Food Safety Responsibility System with Principal as the First Responsible Person (《以校長為第一責任人的學校食品安全責任制》). In order to protect the health and safety of teachers and students, we standardize relevant procedures for campus food safety issues, designate responsible persons and develop food safety management and supervision procedures, etc.

Regarding to the handling of food safety emergencies occurred in the institute, it formulated the Food Safety Emergency Response Plan (《食品安全突發事件應急預案》). The institute has set up a food safety emergency team with defined responsibilities, and standardized the emergency handling procedures in the event of food safety-related accidents, so as to protect the health and safety of teachers and students to the greatest extent.

Kindergartens



In order to regulate the food safety in Kindergartens, we developed the Healthcare and Diet Standardization Manual of Saintach Kindergartens (《新天際幼兒園保健與膳食標準化手冊》) and Tender Notice of Saintach Kindergartens on Unified Procurement and Delivery of Food (《新天際幼兒園食材統一採購及配送項目招標公告》) and other documents to lay down strict requirements and regulations on making recipes, acquiring ingredients, storage, processing, food retention samples, kitchen hygiene management, managing the allocation, receipt and distribution of meals and dietary supervision and to ensure that every process of the canteen is standardized and regulated.

We also established the catering committee, which is responsible for researching and discussing issues relating to food quality and relevant policies, analyzing issues, summarizing experience and taking proactive methods to constantly improve the diet quality of kids.



Maintaining Mental Health

Besides physical health, we also attached great importance to the mental health of students. According to the State Council's Opinions on Implementing Healthy China Action (《國務院關於實施健康中國行動的意見》), Healthy China Action — Child and Adolescent Mental Health Action Plan (2019–2022) (《健康中國行動—兒童青少年心理健康行動方案(2019–2022年)》) and other requirements, 21st Century Education actively arranged various activities that focus on the mental health of children and adolescents and provided relevant services, to help students with problems in their learning and in lives and maintain a healthy mental state.

<p>Institute of Technology</p> 	<p>In order to improve the mental health education of students, the Institute of Technology developed the Administrative Measures of Shijiazhuang Institute of Technology for Mental Health of Students (《石家莊理工職業學院學生心理健康管理辦法》) based on its actual situations and requirements to help students develop a healthy personality, thereby promoting quality-oriented education. We also organized regular mental health lectures on various topics, such as emotion management, stress management, interpersonal interaction, communication skills and resistance to drug, to guide the healthy development of students' conditions. Through such theme lectures, we intend to help students handle stress, strengthen mental health and promote good mental and physical health.</p>
<p>Tutorial Schools</p> 	<p>Tutorial Schools formulated the Implementation Plan for the Education on Mental Health (《心理健康教育實施方案》) with the purpose of solving psychological problems, maintaining mental health and improving psychological quality of students at school. Starting from development-oriented mental health education and remedy-oriented mental health education, the implementation plan further requires each school to take advantage of the classroom and actively conduct psychological health classes, in an aim to promote students' mental health. In addition, we actively promoted the integration of the construction of students' mental health into family education by inviting parents to attend relevant courses at the school. Bringing the construction of students' mental health into families would promote comprehensive mental health for students.</p>
<p>Kindergartens</p> 	<p>Based the observation, record and analysis by the teachers in the two aspects of teaching and life, teachers are required to fill out children development reports at the end of each semester to observe, record and summarize each child in terms of their performance in five major areas: health, art, science, language and social behavior, thereby achieving the management of children's mental health. Teachers will comprehensively evaluate each child on one-to-one basis and offer the feedback in line with corresponding results to respective parents and put forward educational suggestions, in a view to realize the co-education pattern integrating family and kindergarten.</p>

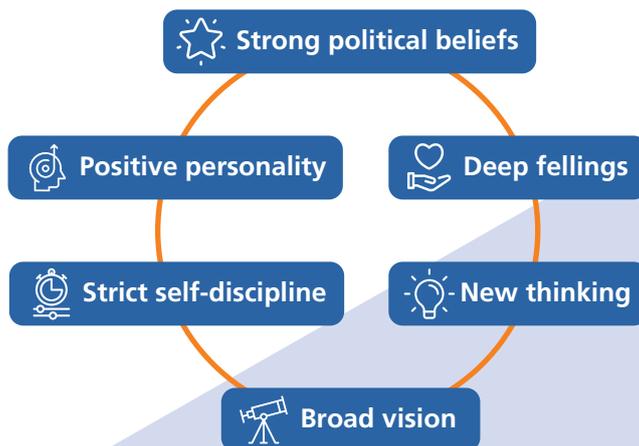
GATHERING ELITES AND CO-FOSTERING TALENTS

21st Century Education pays high attention to talents. To establish a fair and harmonious relationship with our employees, we provide them with a caring, simple but positive working atmosphere, striving to become a career platform for their growth and development.

Professional and Moral

21st Century Education lays great stress on professional ethics of teachers and has formulated internal policies, such as the Development Programme of Shijiazhuang Institute of Technology on Teacher's Moral and Ethical Building (《石家莊理工職業學院師德師風建設方案》) requires teachers to be "professional and moral (學高為師、身正為範)". We are committed to carry out education activities about teacher's virtue and ethics to continuously enhance professional ethics and sense of mission, so as to realize the Group's pursuit of teaching, managing and serving students.

Institute of Technology has required its teachers to achieve the following six requirements, wishing that the teachers keep in mind the important task of preaching, teaching and solving problems, and be teachers with responsibility, skills, passion, craftsmanship and love.



Case: Young Teachers Symposium



On 2 December 2021, Institute of Technology held a young teachers symposium, in hope of encouraging young teachers to cherish posts and devote wholeheartedly to work, while focusing on the ideological education of our students and effectively improving teachers' ethics.

Standardizing Employee Management System

21st Century Education closely observes the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Administrative Measures on Labor Contracts of Hebei Province (《河北省勞動合同管理辦法》) and other laws and regulations employment management. In addition, we have accordingly formulated various internal policies which include the Remuneration Management Measures of 21st Century Education Group (《21世紀教育集團薪酬管理辦法》), the Administrative Measures of 21st Century Education Group for Staff Changes (《21世紀教育集團員工異動管理辦法》), the Measures of 21st Century Education Group for Work Attendance and Absence Management (《21世紀教育集團考勤及假別管理辦法》) and Shijiazhuang Institute of Technology Staff Recruitment Implementation Plan (《石家莊理工職業學院員工競聘上崗實施方案》). These measures have expressly 21st Century Education's protections and safeguards for employees in compensation, dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversification, anti-discrimination, anti-forced labor and other welfares. In addition, in terms of prohibition of child labor, 21st Century Education closely observes the Law of the People's Republic of China for the Protection of Minors (《中華人民共和國未成年人保護法》), the Provisions on the Prohibition of Child Labor (《禁止使用童工規定》), and has also formulated internal policies such as the Labor Contract Management Regulations of 21st Century Education Group (《21世紀教育集團勞動合同管理規定》).

During the Reporting Period, we strictly complied with the above-mentioned laws and regulations relating to employee management and labor practices, and there were no violations in the relevant areas.



VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Some staff management policies and measures are set out below:

Remuneration	The main criteria for the composition of the compensation system include the evaluation of job value, the supply and demand of human resources in the market, and the performance of work. The specific remuneration is made into position salary, seniority salary, class allowance, subsidy, bonus and business commission.
Recruitment	Internal recruitment: Each unit will publish the employment needs through the OA ¹ system, and internal employees can send resume for candidates according to their needs. External recruitment: The human resources department of each unit is responsible for establishing relevant screening criteria, and then the demand department is responsible for the review and approval. External recruitment will be conducted through media release, online recruitment, headhunters and other ways.
Promotion	Job promotion: eligible employees fill out the corresponding report and the demand unit will evaluate it and give the passer a job promotion. Level promotion: employees who achieved an excellent grade in the annual appraisal will be given the priority to the promotion of the grade in the same position.
Leaving-office	Leaving-office comprises four categories, namely self-resignation, dismissal, retirement and other reasons. When an employee meets the defined conditions for leaving, the head of the human resources department shall be responsible for the relevant procedures and approval. If the separation compensation is involved, it shall be dealt with in accordance with the relevant laws and regulations and the results of the consultation between the employers and employees.
Working hours	The normal working hours are five days per week, and the employee works 8 hours a day.
Holiday	Employees are legally entitled to national statutory holidays, sick leave, marriage leave, bereavement leave, maternity leave, nursing leave and annual leave.
Equality and anti-discrimination	We respect the principle of equality and fairness, and prohibit all forms of discrimination within the Company. With respect to employee management, we take the performance and professional ability as the employee management basis, and eliminate gender, age, cultural background, religious beliefs and all the other conditions containing discriminatory factors.
Diversification	We recruit people from a wide range of cultural backgrounds to support our employees in fostering personal interests, and bring a richer perspective to our multi-cultural construction.
Welfares	In addition to the basic benefits stipulated by the state law, we provide transportation, medical care, academic training and other subsidies for senior managers, provide periodic recreational activities organized by the old staff club for employees who have been employed for 3 years or more, and provide holiday funds, tourism, team building and other benefits for all employees.
Anti-child labor	We strictly and carefully verify the identity and academic degree of the candidates. In the recruitment process, once we found that the candidate is a minor, we will not hire him/her.
Anti-forced labor	In addition to normal working hours based on work needs, we restrict employees' overtime behavior and never force employees to work outside of normal work. If an employee needs to work overtime, he or she must log onto the OA system to fill out the overtime application and obtain management approval before it can be executed.

¹ OA refers to Office Automation



During the Reporting Period, no illegal cases or violations such as child labor or forced labor were found in 21st Century Education.

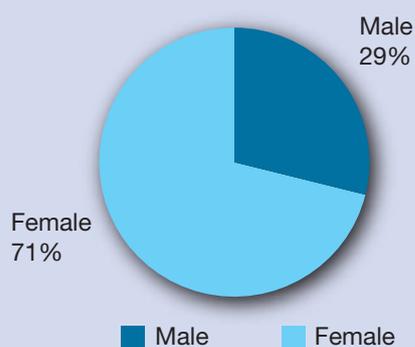
Case: The Party Committee of Institute of Technology launched the Spring Festival activity, offering greetings to the forefront employees



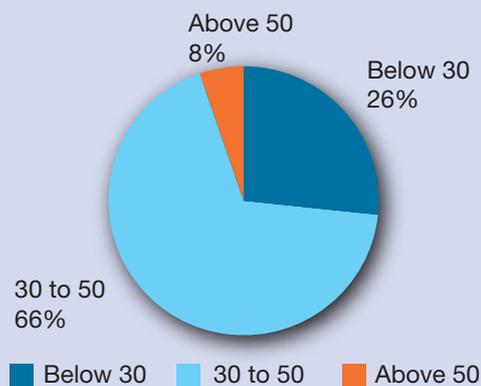
On 11 February 2021, the Party Committee of Shijiazhuang Institute of Technology organized a visit to the security guards who were still working hard during the Spring Festival, sending them blessings and greetings for the festival. The Party Committee hoped that they could stay at their posts, fulfill their duties with diligence, and implement the security measures strictly during the Spring Festival, so as to create a safer environment for the institute.

During the Reporting Period, 21st Century Education had 982 employees in total. The details of breakdown and its number are as follows:

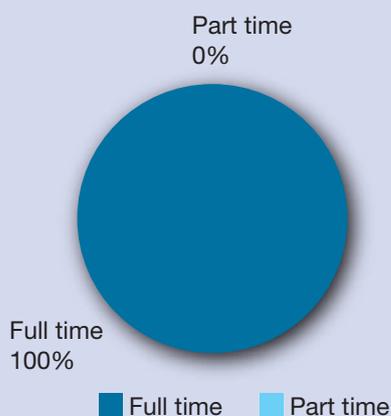
By gender



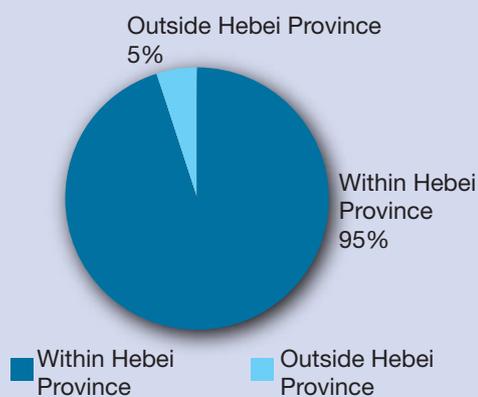
By age group



By type of employment



By region





VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Counting of staff		Number	Proportion
By gender ²	Male	286	29%
	Female	696	71%
By age group	Below 30	251	26%
	30 to 50	650	66%
	Above 50	81	8%
By type of employment	Full time	982	100%
	Part time	0	0%
By region	Within Hebei Province	928	95%
	Outside Hebei Province	54	5%

Counting of staff turnover ³		Number	Proportion
By gender	Male	66	23%
	Female	143	21%
By age group	Below 30	123	49%
	30 to 50	86	13%
	Above 50	0	0%
By region	Within Hebei Province	200	22%
	Outside Hebei Province	9	17%

2 Due to the nature of the education industry and the needs of the industry, 21st Century Education has a relatively larger number of female employees than male employees.

3 As a result of the restructuring of 21st Century Education's business during the Reporting Period, the number of full-time and part-time teachers in the quality-oriented education segment was reduced.

Improving Employee Training System

21st Century Education has been committed to improving employee training system in the hope that the employee can progress with the school and work together towards a future of unlimited possibilities. We attach great importance to employee trainings because a good employee team is the key to the continuous improvement of the quality of teaching, management and image of the school. In accordance with the Opinions on Regulating the Development of Off-Campus Training Institutions (《關於規範校外培訓機構發展的意見》), we continue to strengthen the training system of our teachers and is dedicated to providing a wide range of professional training opportunities for our employees. Meanwhile, we strengthen the education and training of employees in the process of operation, and require schools to build an employee training system and organize corresponding training activities that meet the actual conditions according to their business characteristics and employment needs, so as to improve the quality of teaching and campus management capability.

<p>Institute of Technology</p> 	<p>In 2021, Institute of Technology has prepared the Staff Training Manual of Shijiazhuang Institute of Technology (《石家莊理工職業學院員工培訓手冊》) based on its own situation, which is mainly focused on independent training and external training as supplement. It covers three major parts of training, namely, “Professional” training module, “Vocational” training module and “Dedication” training module. We have two types of training, namely, induction training and on-job training. The on-job training comprises teacher system training, administrative system training, learning management system training, and marketing system training.</p>
<p>Tutorial Schools</p> 	<p>Tutorial Schools have developed corresponding training systems for employees at different levels. For example, the “new staff echelon training system” includes the new dynamic training for new staff, communication tea forum for employees who have participated in the new dynamic training, as well as the skills retraining for employees who have been employed for 6 months and whose performance remain to be improved. Besides, the principal and school training system is designed to provide a series of professional training for campus management. In addition, Tutorial Schools have also established “senior staff echelon training system” to form a comprehensive platform of “cultivation” - “selection” - “reserve and practice” for the talent echelon.</p> <p>During the Reporting Period, Tutorial Schools have developed the 2022 training framework, with the establishment of training platform and standardized training system as two important parts to be implemented. The training courses are structured by “three types of courses” (namely teacher ethics and quality, knowledge and skills, as well as practice and experience) and “three training levels” (namely new teachers, experienced teachers and senior teachers) to classify, grade and design teacher training programs.</p>
<p>Kindergartens</p> 	<p>In 2021, Kindergartens widely broadened the channels for the development of the training system through the exchange of colleges and associations, peer dialogues and cooperation with institutions offering quality courses. Additionally, “African schools” has been built to strengthen the professionalism of the team by providing curriculum-based training, teacher skills training, new employee training, certificate-based training, back office skills training and a combination of internal and external training. Meanwhile, we have organized training such as “teacher advancement camps” (including master teachers advancement camps and match-teachers advancement camps) to achieve a echelon structure.</p>



VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, Institute of Technology, Tutorial Schools and Kindergartens conducted various training activities in accordance with their respective training systems and annual training plans. The specific information on staff attendance in training is as follows:

Staff training information	Staff by gender		Staff by category			% of staff trained
Institute of Technology	Male	Female	High level	Middle level	Basic level	80%
Number of trainees	102	367	6	58	405	
Proportion of trainees (%) ⁴	22%	78%	1%	12%	86%	
Average training time (hours) ⁵	92	96	83	82	97	
Tutorial Schools	Male	Female	Management	Business and function position	Teacher	75%
Number of trainees	13	93	12	40	54	
Proportion of trainees (%)	12%	88%	11%	38%	51%	
Average training time (hours)	14	14	19	14	14	
Kindergartens	Male	Female	Management	Business and function position	Teacher	92%
Number of trainees	7	226	0	113	120	
Proportion of trainees (%)	3%	97%	0%	48%	52%	
Average training time (hours)	7	12	0	11	13	

Case: Series of Training Activities of Institute of Technology



On 11 June 2021, the human resource office of Institute of Technology held the training meeting of ability promotion of middle managers. The executive vice principal of Institute of Technology was the keynote speaker, with the speech covering the role definition, working methods and Clean Convention (《清風公約》). Based on years of working experience, the executive vice president laid out the responsibilities of the middle management, working ideas and creative spirit from theory and practice in simple terms.

⁴ Proportion of trainees is calculated by dividing trainees of the specific category by total trainees as of the Reporting Period based on Social KPI B3.1 in “How to Prepare an ESG Report – Appendix III: Reporting Guidance on Social KPIs” published by the Stock Exchange.

⁵ Average training time is calculated by dividing total training hours of the specific category by total employees as of the Reporting Period based on the calculation of Social KPI B3.2 in “How to Prepare an ESG Report – Appendix III: Reporting Guidance on Social KPIs” published by the Stock Exchange.



On 2 December 2021, the Party committee of Institute of Technology held a symposium of young teachers. The symposium further enhanced the team building of young teachers in a powerful way, reached deep into the problems that young teachers encountered in teaching, scientific research and life, promoted the growth of young teachers and strengthened guiding vision.



On 25 December 2021, all faculty members of Institute of Technology participated in the second phase of full-time teacher training. This training has effectively advanced the teachers' in-depth understanding of the teaching philosophy, spurred the teachers' motivation in subject research, promoted the progress of the scientific work of Institute of Technology and empowered the value of the teaching staff.

Case: Tutorial Schools "New Dynamic Training"



During the Reporting Period, Tutorial Schools organized six sessions of "New Dynamic Training" for new employees. The training covered corporate culture and company profile, recruitment and service process of educational administration system, job advantages and student mental health.



Case: Tutorial Schools “Principal College Training”



During the Reporting Period, the Tutorial Schools organized three sessions of “Principal College Training” of which, one was held on 11 May 2021. The training covered “How to deal with the emotions of post-90s employees and improve leadership”, “How to help campus management by virtue of resources and team management” and the development activities.

Case: Kindergartens “Assessment of Star Teachers”



On 24 and 25 April 2021, the teachers in Kindergartens carried out the “Assessment of Star Teachers” in the first half of 2021, which included theory and practice. In the theory assessment, teachers needed to display their strength and demeanor gracefully according to the assessment contents and standards. In the practical assessment, teachers needed to show and compete in terms of string musical instrument playing, singing, dancing, appearance and lecturing. Every year, the Kindergartens hold two sessions of “Assessment of Star Teachers” to promote the continuous improvement of the teaching team.



Protecting Employee Health and Safety

21st Century Education strictly complied with the laws and regulations of the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》) and the Plan of the Hebei Province on the Prevention and Treatment of Occupational Diseases (《河北省職業病防治規劃》) to guarantee the employees' health and security. Meanwhile, we have formulated the Safety Management Systems Systems⁶ (《安全管理制度匯編》), which includes policies such as the Safety Inspection Plan and Protective Measures (《安全檢查計劃及防範措施》) and the Safety Emergency Plan (《安全應急預案》), and the targeted management measures such as Shijiazhuang Institute of Technology's Precautionary Measures and Emergency Plans for Outdoor Sports Activities in Response to Smoggy Weather (《石家莊理工職業學院關於應對霧霾天氣戶外體育活動防範措施及應急預案》) so as to make efforts to prevent, control and eliminate occupational disease hazards in an all-round way and protect the employees' health and related interests. We also organized employees to participate in the health and safety training activities on a regular basis, cultivate their safety awareness and protect their occupational safety.

In the past three years (including the Reporting Period), 21st Century Education had seen no violations related to employees' health and safety, nor any work-related fatalities. During the Reporting Period, no lost days due to work injury were recorded.

In addition, during the Reporting Period, the Institute of Technology issued the Notice on Caring for Faculties in the Work of Epidemic Prevention and Control, requiring party organizations at all levels and heads of departments to improve their political position and effectively strengthen the sense of responsibility and urgency in the epidemic prevention and control work, and put the safety and health of teachers and students in first place. It is also emphasized that special attention shall be paid to the mental and psychological state of single faculties who have not returned home as well as faculties who have been quarantined or lived in key epidemic areas, and those who are living in difficulties due to the epidemic. For faculties with psychological and ideological burdens, relevant departments shall strengthen humanistic care and concern in the manner of phone calls, text messages, WeChat, QQ, videos, emails, etc.. Faculties can also obtain psychological assistance through the institute's psychological counseling channel.

We also actively implement the normalized management of epidemic prevention and control to ensure the health of faculties. Since the commencement of the epidemic prevention and control, Institute of Technology has organized and held 18 special meetings, issued 39 management documents, and established a leading group for epidemic prevention and control, which consists of a comprehensive group, a security group, a medical care group, an administrative group, and an institute management group to improve the working mechanism, clarify the division of labor, and undertake the main responsibilities, so as to comprehensively improve the epidemic prevention and control work of Institute of Technology in terms of system construction, joint prevention and control, intensified investigation, strengthening material reserves, promoting vaccination, orderly return of teachers and students, management of campus entry and exit and various personnel, and dining management.

COMPLIANCE & STANDARDIZED MANAGEMENT

Strengthening Supply Chain Management

In order to regulate the procurement and supplier management mechanism of 21st Century Education and its schools at all levels, we have adhered to the principles of mutual benefit and win-win cooperation, and formulated the Procurement Management Measures of 21st Century Education Group (《21世紀教育集團採購管理辦法》), the Measures for Evaluation and Management on Suppliers of Shijiazhuang Institute of Technology (《石家莊理工職業學院供應商評估管理辦法》), the Measures for Procurement Management of the Culture and Education Business (《文化教育事業部採購管理辦法》) and other management requirements.

6 Specific practices on campus safety protection can refer to the section headed "Safeguarding Campus Safety"

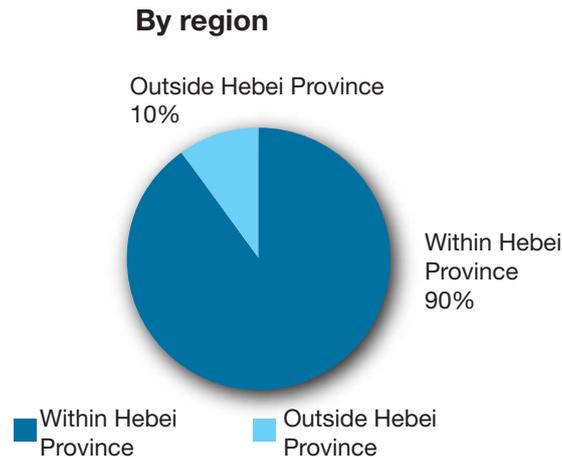


VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The above requirements clarify the rules and regulations governing the organization and responsibilities of procurement, the definition of procurement methods, procurement procedures, supplier classification and blacklist management. We follow the principles of “management by classification, standard setting, openness and transparency, supervision and control” to evaluate suppliers by way of classification and ratings. We also identify and assess suppliers’ social risks in our ratings, such as the impact of qualifications and reputation. Suppliers who provide false materials will be taken severe disciplinary measures, blacklisted and not cooperated with in the future. This is to improve the efficiency of the Company’s operations and reduce losses due to suppliers.

We have recognized the importance of identifying the social and environmental risks of suppliers and promoting the use of environmentally friendly products and services by suppliers. In the future, we will actively optimize and improve the supplier management system, and increase the utilization of environmentally friendly products and services according to actual business situation.

During the Reporting Period, we maintained good cooperative relationships with 117 suppliers in total, of which 105 suppliers were from Hebei Province and 12 suppliers were from outside Hebei Province.



Respecting Intellectual Property Rights

21st Century Education strictly complies with the Trademark Law of the People’s Republic of China (《中華人民共和國商標法》), the Patent Law of the People’s Republic of China (《中華人民共和國專利法》), the Copyright Law of the People’s Republic of China (《中華人民共和國著作權法》), the Anti-Unfair Competition Law of the People’s Republic of China (《中華人民共和國反不正當競爭法》) and other relevant laws and regulations relating to the control and management of intellectual property rights. We have urged the schools at all levels to implement relevant internal management systems, including but not limited to the Trademark Management Measures of 21st Century Education Group (《21世紀教育集團商標管理辦法》), the Control Procedures of Saintach Education for the Risk Management of Intellectual Property Rights (《新天際教育知識產權風險管理控制程序》) and the Intellectual Property Rights Management System (《知識產權管理制度》). Those management systems have clarified the compliance management requirements for the creation, registration, protection and use of intellectual property rights and strengthened the protection of intellectual property rights such as trademarks, patents, domain names, and copyrights. Our 21st Century Education Group Employee Handbook (《21世紀教育集團員工手冊》) also regulates the behavior of employees to prevent external dissemination of written and electronic teaching materials and training materials owned by 21st Century Education with intellectual property rights.

In addition, 21st Century Education actively assists students in applying for patent protection and is committed to protecting students’ intellectual property rights. During the Reporting Period, Institute of Technology applied for 45 utility model patents, including utility model, computer software, computer software copyright, etc.. During the Reporting Period, we did not receive any case related to violation or infringement of intellectual property rights.



Control device for interactive teaching between teachers and students



Intelligent protection monitoring equipment



Charging pile for new electric vehicle

Protection of Students' Information Security

21st Century Education formulates policies in relation to protection of students' information data and privacy such as the Management Measures for Information System of 21st Century Education Group (《21世紀教育集團信息系統管理辦法》), the Report of Shijiazhuang Institute of Technology on Measures in relation to Protection of Students' Privacy and Security (《關於石家莊理工職業學院為保護學生隱私安全所採取的措施報告》) and the Management Measures for Information System of Saintach Kindergartens (《新天際幼兒園教育信息系統管理辦法》) to effectively protect the security of students' information data, and protect students' privacy. In particular, the Report of Shijiazhuang Institute of Technology on Measures in relation to Protection of Students' Privacy and Security sets out specific measures to protect private data, including but not limited to:

- 

No student registration information will be released to the public. All information is stored in the CHESICC, which is protected by a U shield
- 

For the information of poor students, all relevant information and documents such as handling procedures are archived by dedicated teachers
- 

Strictly keep the health status of students confidential to avoid being infringed by external public opinion due to the leakage of health status information
- 

Hide the important personal information of students who are awarded scholarships, such as ID card information
- 

Provide privacy for students in relation to their health, name and portrait

During the Reporting Period, we did not receive any substantiated complaints about invasion of personal privacy or leakage of any personal data.



Case: Institute of Technology conducted Cyber Security Awareness Week



During the National Cyber Security Awareness Week from 11 to 17 October 2021, Institute of Technology actively responded to the national appeal by introducing the knowledge of maintaining network security to students on the Internet to raise students' awareness of related prevention.

Responsible Marketing System

In accordance with relevant laws and regulations such as the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Law of the People's Republic of China on the Promotion of Private Education (《中華人民共和國民辦教育促進法》) and the Anti-unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), 21st Century Education formulates a rigorous advertising strategy, and conducts advertising through reasonable and legal marketing to attract students and their parents. For the publicity content, we guarantee that the content is true and correct, and free of any misleading publicity. We strictly implement the procedures for filing student recruitment brochures and advertisements with the authorities for examination and approval, putting an end to any illegal publicity.

During the Reporting Period, all marketing and promotion of 21st Century Education complied with the above laws and regulations, and did not violate any laws and regulations related to advertising and promotion.

Integrity and Honesty

21st Century Education upholds a "zero tolerance" attitude towards corruption and bribery. We strictly abide by the laws and regulations such as the Anti-Corruption and Bribery Law of the People's Republic of China (《中華人民共和國反貪污賂賂法》) and the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》). Moreover, we have established internal policies such as the Anti-fraud, Anti-corruption and Anti-money Laundering Management System of 21st Century Education Group (《21世紀教育集團反舞弊、貪污及洗錢管理制度》) and the Internal Audit Management System of 21st Century Education Group (《21世紀教育集團內部審計管理制度》) to standardize the professional behavior of the Company and its employees, strictly prevent any form of accepting benefits, fraud and violations, or behaviors that damage the legitimate interests of the Company through illegal means.

We incorporate the rules of integrity and self-discipline as the professional ethics and code of conduct for faculty and staff into the personnel management system, and continuously improve employees' awareness of integrity and self-discipline, requiring relevant personnel of 21st Century Education to sign the Integrity and Self-Discipline Commitment. Integrity and self-discipline is not only an important assessment criterion for our selection and appointment of middle management, but also a criterion for the year-end assessment of employees. In addition, we have also established relevant integrity cooperation policies, including signing the Integrity Cooperation Agreement with suppliers, which is applicable to 21st Century Education and its various schools to prevent commercial corruption and protect the legitimate rights and interests of the Company.

We have established comprehensive preventive measures and reporting procedures for anti-corruption. We hold events related to anti-corruption and disciplinary reporting from time to time. We have set up the reporting telephone and mailbox as the channel to report actual or suspected fraud cases for which the internal control department is responsible for accepting, retaining and handling reports. The internal audit department regularly reviews the economic activities every year, and the asset department checks the work of the department with purchasing power through market research. Any suspected fraud found will be transferred to the internal control department for investigation. All employees involved in corruption, regardless of whether they have reached the level of criminal offenses, will be punished by the management of 21st Century Education in accordance with the relevant internal economic and administrative disciplines and will be handed over to the judicial authorities to deal with the case according to law in case of violation of the criminal law. The human resources department, the legal department and the internal control department have all carried out a series of trainings to enhance employees' awareness of illegal acts such as bribery, extortion, fraud and money laundering, and provide positive guidance to establish correct values and strengthen employees' ability to identify legal and illegal, integrity and non-integrity moral behavior. During the Reporting Period, 21st Century Education provided anti-corruption education and training to both its Directors and employees.

During the Reporting Period, 21st Century Education and each of its affiliated schools did not receive any case in relation to corruption lawsuits.

Case: 21st Century Education conducted anti-corruption education training



In November 2021, we conducted anti-corruption education training for our Directors and senior management to provide them with a profound understanding of 21st Century Education's anti-corruption policy and increase their emphasis on integrity.



GREEN CAMPUS & SUSTAINABLE DEVELOPMENT

21st Century Education is committed to advocating and promoting the awareness of green civilization. We expect to continue to integrate the concept of sustainable development into our daily business operations to create a green and harmonious campus.

During the Reporting Period, the Institute of Technology set and achieved the targets for air pollutant emissions, energy and water efficiency. As we have engaged a third party professional agency to dispose of the waste, we have not yet compiled a breakdown of various waste items. We will continue to improve our waste management and consider setting waste-related targets based on our actual situation in the future.

Environmental	Targets	Saved Energy
Air pollutants	<ul style="list-style-type: none"> Stop heat supply during the winter holidays to reduce natural gas consumption; and Maintain boilers to improve thermal efficiency. 	<ul style="list-style-type: none"> 100,000m³ of natural gas 20,000m³ of natural gas
Energy efficiency	<ul style="list-style-type: none"> Renovate the electrical control of the student dormitory; and Replace street lighting with radar-sensitive lights. 	<ul style="list-style-type: none"> 100,000kWh of electricity 20,000kWh of electricity
Water efficiency	<ul style="list-style-type: none"> Replace certain leaking valves; Repair fire protection pipes; and Recycle direct drinking waste water. 	<ul style="list-style-type: none"> 500 tonnes of water 500 tonnes of water 1,000 tonnes of water

Pollutant Management

We strictly comply with the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》), the Law of the People’s Republic of China on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》) and other laws and regulations, and strictly manage the use of resources and related emissions generated for teaching and student management purposes. The Institute of Technology has formulated internal policies such as the Regulations on the Management of Resource Utilization (《資源使用管理規定》) and the Plans and Measures for Energy Conservation in 2021 (《2021年能源節約的計劃及措施》) and strictly enforced the management of air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Our emissions mainly include air pollutants emission, domestic wastewater and greenhouse gas emissions⁷, among which, the air pollutants mainly came from the natural gas consumed for supplying heat to the school areas and the natural gas used by canteens; the wastewater mainly came from the domestic sewage generated from teaching activities, canteens and student dormitories; greenhouse gas emissions were generated by natural gas consumption (Scope 1) and purchased electricity (Scope 2) in the above processes. 21st Century Education and its affiliated schools use water from the municipal pipelines and have no difficulty in obtaining water resources.

During the Reporting Period, 21st Century Education did not have any material environmental pollution or violations of environmental laws, nor did it receive any significant non-compliance or complaints relating to environmental protection.

⁷ Unless otherwise stated, all the data and environmental related measures disclosed in this section shall be based on the statistical caliber of Shijiazhuang Institute of Technology.

During the Reporting Period, the information on our pollutant emissions is as follows:

Statistical item		2021	2020	2019	Unit
Air pollutant emissions	NOx emissions ⁸	2,724.9	3,613.1	4,445.9	kg
	SOx emissions	109.0	1,928.3	1,961.6	kg
	PM emissions	272.5	741.9	825.2	g
Greenhouse gas emissions	Scope 1 emissions ⁹	589.2	959.2	1,136.6	ton (carbon dioxide)
	Scope 1 emission intensity ¹⁰	0.3*E-1	0.1	0.1	ton (carbon dioxide)/ person
	Scope 2 emissions ¹¹	3,718.1	2,701.8	4,203.2	ton (carbon dioxide)
	Scope 2 emission intensity	0.2	0.2	0.4	ton (carbon dioxide)/ person
	Tree planting reducing emissions ¹²	-49.5	-48.8	-48.7	ton (carbon dioxide)
	Comprehensive emissions ¹³	4,257.8	3,612.2	5,291.1	ton (carbon dioxide)
Waste¹⁴	Comprehensive emission intensity	0.2	0.2	0.5	ton (carbon dioxide)/ person
	Total hazardous waste ¹⁵	0.5	N/A	N/A	ton
	Hazardous waste intensity	0.3*E-4	N/A	N/A	ton/person
	Total non-hazardous waste ¹⁶	13.0	N/A	N/A	ton
	Non-hazardous waste intensity	0.1*E-2	N/A	N/A	ton/person

- 8 The air pollutant emission factors of the liquefied petroleum gas and natural gas were determined with reference to the Manual on the Pollution Generation and Emission Factors of Urban Domestic Sources under the First National Pollution Source Survey (《第一次全國污染源普查城鎮生活源產排污系數手冊》) issued by the Office of the Leading Group for the First National Pollution Source Survey under the State Council.
- 9 The greenhouse gas emission factors of the liquefied petroleum gas and natural gas were determined with reference to the Accounting Methods and Reporting Guide for the Greenhouse Gas Emissions of Public Building Operators (Trial) (《公共建築運營企業溫室氣體排放核算方法和報告指南(試行)》) issued by the National Development and Reform Commission.
- 10 The denominator used herein and subsequence in the calculation of the intensity is 17,662, i.e. the sum of the number of students and staffs in Institute of Technology.
- 11 The greenhouse gas emission factors of purchased electricity were determined with reference to the Accounting Methods and Reporting Guide for the Greenhouse Gas Emissions of Enterprises — Power Generation Facilities (Revised in 2021) (《企業溫室氣體排放核算方法與報告指南發電設施(2021年修訂版)》).
- 12 The emission reduction coefficient of the trees is determined with reference to those set out in the Reporting Guidance on Environmental KPIs (《環境關鍵績效指標匯報指引》) in Appendix II to How to Prepare an ESG Report (《如何編備環境、社會及管治報告》). The total number of trees in 2021 was 2,150, that in 2020 was 2,122 and that in 2019 was 2,116.
- 13 The greenhouse gas emissions increased in 2021 compared to 2020 because students of Institute of Technology were unable to return to school during the epidemic prevention period in 2020.
- 14 Since waste is counted from 2021, no data is available for 2019 and 2020.
- 15 Hazardous waste includes waste fluorescent light tube.
- 16 Non-hazardous waste includes waste paper, domestic waste, food waste, etc.



Waste Management

During the Reporting Period, 21st Century Education strictly required all schools to promote resource recycling and garbage classification within campus, so as to increase the use value of waste and reduce environmental pollution. As for the waste generated by the Institute of Technology, the hazardous waste, mainly including waste fluorescent lamps, will be sorted, cleared and disposed of by a third-party professional organization, while non-hazardous waste, mainly household waste such as kitchen waste, waste paper, plastic bottles, leaves and other non-recyclable waste, will be transported to the waste sorting center after collection and handed over to qualified suppliers for recycling or processing.



Used mask collection containers, garbage containers and garbage sorting centers are placed and set within the Institute of Technology.

Case: "beautiful campus" activity carrying out in the Institute of Technology



In order to build a clean and harmonious campus and provide students with better access to campus information, the Youth Volunteer Association of the Institute of Technology organized an activity of "improving campus environment" on 17 October 2021, with the specific aims of standardizing the posting of advertisements and posters within campus to keep the propaganda columns clean and tidy for the inspection by college leaders. Meanwhile, it also increase the students' awareness of the importance of building a civilized campus and maintaining a good campus environment, so that they will start from themselves to resist illegal advertisements and keep the campus clean and tidy.

Case: the Institute of Technology organized campus environmental protection handicraft creative competition



During 8 to 14 December 2021, the Youth Volunteer Association of the Institute of Technology organized the "Campus Environmental Protection Handicraft Creative Competition". Echoing with the spirit of cultivating innovation, the organizers encouraged participants to make handicrafts using waste materials for display, which not only enhanced students' environmental awareness, but also inspired students' thinking and practicing ability. Moreover, thereby the students also received the message of protecting their campus and environment as well as an enriched extra-curricular cultural life.

Promoting Frugality and Saving

We have strengthened energy conservation and emission reduction measures, actively fostered a green campus culture, and cultivated collective environmental awareness. During the Reporting Period, the Institute of Technology has made a series of energy, water and food conservation plans and measures.



VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy Saving

We have carried out comprehensive energy-saving measures within campus, covering student dormitories, stairwells, street lights and classroom lighting systems:



Each dormitory is controlled by a separate intelligent electronic control module, and each dormitory is individually metered to record the energy consumption of student apartments



The 390 lights in the stairwells of the student apartments were replaced with radar-sensitive lights, saving approximately 5,600 kWh of electricity annually. 120 street light were also replaced with radar-sensitive lights later, saving approximately 4,000 kWh of electricity annually



On-campus streetlights are controlled on a time-of-day basis. As of the end of the Reporting Period, Shijiazhuang Institute of Technology has installed 25 solar-powered streetlights and the rest are LED lights



The classrooms in the teaching area have been replaced with LED lighting, saving approximately 80,000 kWh of electricity per year



We have formulated the "Building Patrol Management Regulations (《巡樓管理辦法》)", through which the building manager regularly patrols the building and finds out and addresses the waste of water and electricity in a timely manner

Water Saving

We also implemented water-saving measures within the whole campus, covering the campus, bathrooms in student apartments and green land, etc.:



All water pump equipment in the campus was replaced with variable frequency control



The renovation of urinals in student apartments to flush-free urinals has resulted in the cumulative renovation of 56 toilets and 288 sanitary devices, saving 1,500 tons of water per year



The watering of the green area was changed from hydrant flooding to sprinkler irrigation, saving 1,500 tons of water per year



We make full use of irrigation water for watering the green areas, saving 5,400 tons of water per year



We have formulated the "Building Patrol Management Regulations (《巡樓管理辦法》)", through which the building manager regularly patrols the building and finds out and addresses the waste of water and electricity in a timely manner

Food Saving

Food saving is a virtue and a respect for labor. In order to build a civilized, harmonious and environmentally friendly school environment, Institute of Technology has launched the “Clear Your Plate” initiative to save food, which is as follows:

- We cherish food, eat in moderation, avoid leftovers and reduce waste.
- We are proud of our “clear plates” and ashamed of our “leftover meals”; we are proud of packing our leftover meals and ashamed of throwing them away at will.
- We take only what we need when we order to reduce extravagance and waste.
- We act as savings promoters and inform our relatives and friends of the consequences of food waste.

During the Reporting Period, the information on our resource utilization are as follows:

Statistical item		2021	2020	2019	Unit
Use of energy	Total direct energy consumption ¹⁷	2,946.7	4,650.8	5,551.3	thousand kWh
	➤ Petroleum gas consumption	0 ¹⁸	1,182.5	1,182.5	thousand kWh
	➤ Petroleum gas consumption intensity	0	0.1	0.1	thousand kWh/person
	➤ Natural gas consumption	2,946.7	3,468.3	4,368.8	thousand kWh
	➤ Natural gas consumption intensity	0.2	0.2	0.4	thousand kWh/person
	Total indirect energy consumption	6,367.8	4,428.5	6,889.4	thousand kWh
	➤ Purchased electricity consumption ¹⁹	6,367.8	4,428.5	6,889.4	thousand kWh
	➤ Purchased electricity consumption intensity	0.4	0.3	0.6	thousand kWh/person
	Total energy consumption	9,314.5	9,079.2	12,440.7	thousand kWh
	Total energy consumption intensity	0.5	0.5	1.1	thousand kWh/person
Consumption of water	Consumption ²⁰	406,440.0	252,944.0	444,480.0	ton
	Consumption intensity	23.0	14.9	39.6	ton/person

17 The energy use of petroleum gas and natural gas refers to the calculation of low calorific value provided in the Accounting Methods and Reporting Guide for the Greenhouse Gas Emissions of Public Building Operators (Trial) (《公共建築運營企業溫室氣體排放核算方法和報告指南(試行)》) issued by the National Development and Reform Commission.

18 As fuel-oil boilers have been phased out in 2021, there is no relevant petroleum gas consumption.

19 As the students of Institute of Technology couldn't return to school due to the pandemic prevention and control measures in 2020, the consumption of purchased electricity in 2021 increased as compared with 2020.

20 As the students of Institute of Technology couldn't return to school due to the pandemic prevention and control measures in 2020, the water consumption in 2021 increased as compared with 2020.



Response to Climate Change

The risks brought by climate change to the world are becoming more and more obvious. 21st Century Education also actively responds to the potential threat of climate change and conducts risk control. We have identified physical risks as the climate risks that have a significant impact on our business, including climate extremes caused by climate change, such as severe convection weather of strong wind, lightning, rain, snow and hail. The Institute of Technology formulated the Bad Weather Emergency Plan in order to standardize the measures to deal with extreme weather and prevent the occurrence of accidents under bad weather. The plan specifies the responsibilities of various responsible officers in the event of bad weather, including the Chief of Building Management Division, the Building Supervisor, building controllers and cleaning staff. The plan strictly regulates the process and procedures in dealing with emergencies in the campus under specific bad weather, and makes clear the preventive measures needed to resist extreme weather, so as to ensure that emergencies can be dealt with in quick, timely and proper manner. For example, in the case of snow weather, it is necessary to timely clean the snow at the entrances of the buildings at multiple times and to lay anti-skid pads at the same places, and strengthen the fixed measures for the doors of each building, such as bolt protection and door rope pull protection.

HAND IN HAND TO OVERCOME THE DIFFICULTIES TOGETHER

Contributing to the Community with Heart

21st Century Education focuses on social issues related to education, environmental protection, health, culture and sports, carries forward the tradition of being enthusiastic about public welfare, and actively participates in public welfare undertakings. We have always been committed to serving and giving back to society, taking our strengths to promote and assist the society in achieving sustainable development. The Institute of Technology organizes its volunteers to participate in various public welfare activities. The volunteers strictly comply with the regulations on volunteer service in all activities. Policies for public welfare activities shall be subject to those formulated by the organizers.

Case: The Institute of Technology carried out a social practice activity of “Three Trips to the Countryside” in summer vacation



On 30 June 2021, the summer social practice activity themed “Always Follow the Party and Forge Ahead in the New Era” was officially launched. Six teams of 150 students from the Institute of Technology marched to the destination of “Three Trips to the Countryside”—Nilihe Village, Xiakou Town, Pingshan County. The students participated in social practice with activities under different themes. For example, the Shili Care for the Elderly team organized activities at the retirement home to bring joy to the local elderly. Through this activity, the youth of the Institute of Technology had an in-depth understanding of the current rural situation, thereby assisting the rural revitalization, and calling on the new generation of college students to walk the new long march of contemporary youth.

Case: The college enlistment at the Institute of Technology in 2021



On 16 June 2021, according to the Notice on Further Promoting College Enlistment, Bo Qingwu, the Political Commissar of the Armed Forces Department of Luquan District, Shijiazhuang led relevant personnel to visit the Institute of Technology to supervise and inspect the enlistment of college students in 2021. The Institute of Technology strengthened national defense education and publicity, strictly controlled the operation of conscription, and successfully completed the recruitment task in spring. A total of 247 students attended the initial visual examination, 247 students went to the station for physical examination, and 116 excellent recruits were selected.

Case: The Institute of Technology held the opening ceremony of military skills training in Luquan District, Shijiazhuang in 2021



On 24 September 2021, the Institute of Technology held the opening ceremony of the skills training for ex-servicemen in Luquan District in 2021. The Institute of Technology combined the characteristics of ex-servicemen, the needs of the current society, and the basic policies for employment and entrepreneurship to carry out targeted teaching, highlight the pertinence and practicability of training skills, and strictly control teaching quality to ensure that students succeeded in a special field of study.

Case: The activity of the Institute of Technology themed "Pass Love and Warmth by Recycling of Old Clothes"



During 19 to 21 November 2021, the young volunteers of the Institute of Technology held the activity of recycling old clothes, which mainly recycled the old clothes and books of the students and donated them to the disadvantaged groups in poor areas. The activity ability and practical ability of the volunteers were exercised, which fully reflected the spirit of the young volunteers of "Dedication, Progress, Mutual Assistance and Friendship".



Case: Activities organized by the Young Volunteers Association of Institute of Technology



On 5 December 2021, the Young Volunteers Association of Institute of Technology held the “International Volunteer Day” activity to respect the spirit of volunteerism and obey the tenet of “Dedication, Friendship, Mutual Assistance and Progress”. During the event, the host led the volunteers to take the oath, and the secretary of the Student Affairs Committee presented the volunteer service certificates. The student leaders performed the Song of Young Volunteers with sign language, from which they were inspired and enlightened.

Unite Together to Overcome Difficulties

As the epidemic continues to spread in 2021, we constantly cooperated with the national epidemic prevention measures and contributed to the community to help the needy on the premise of ensuring personal prevention during the Reporting Period. 21st Century Education has put in place strict epidemic prevention requirements for its schools and students, and has developed a series of measures to cut off the transmission of virus and prevent the spread of virus within the school in an all-round way. Meanwhile, we have conducted epidemic prevention drills to ensure that there will be no infections caused by public gatherings and that we will actively cooperate with the government and relevant authorities to ensure the safety of our staff and students.

Case: Teachers and students of Institute of Technology actively participated in epidemic prevention and control



In January 2021, the epidemic in Shijiazhuang and Xingtai in Hebei Province touched the hearts of people all over the country, and all walks of life and other cities reached out their hands to help Hebei fight the epidemic. Teachers and students of Institute of Technology also worked together to help the community fight against the epidemic and contributed to the epidemic prevention and control in their local communities, including registering and measuring the temperature of people entering and leaving the community at the entrance of the community, assisting medical staff in collecting information for nucleic acid tests, and helping the community to publicize nucleic acid testing to each household.

Case: Teachers of Institute of Technology assisted the medical staff



On 9 January 2021, Mr. Xu, a faculty member of Institute of Technology, actively signed up as a volunteer in response to the emergency call of the community to fight against the epidemic, being responsible for registering and measuring the temperature of people entering and leaving the community every morning at the entrance of the community, and asking residents to refrain from going out unless absolutely necessary, to strengthen personal prevention, and to avoid gathering. On 12 January, Shijiazhuang started the second round of nucleic acid testing, and Mr. Xu assisted the medical staff in collecting information for nucleic acid tests. Mr. Xu accurately registered the information of nearly 600 people in the entire community within 5 hours, making contribution to the efficient completion of the sampling work of nucleic acid tests.

APPENDIX: CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Mandatory Disclosure Requirements	Description	Disclosure Location or Remarks
Governance structure	<p>A statement issued by the Board shall contain the following contents:</p> <ul style="list-style-type: none"> (i) disclosure of the Board's oversight of ESG-related matters. (ii) the Board's approach and strategy for ESG management, including the process for assessing, prioritizing and managing significant ESG-related matters (including risks to the issuer's business); and (iii) how the Board reviews progress against ESG-related objectives and explains how they relate to the issuer's business. 	ESG Structure
Reporting principles	Describe or explain how the following reporting principles have been applied in the preparation of the ESG report.	Reporting Standards
Reporting boundary	Explain the reporting boundary of the ESG report and describe the process of selecting which entities or businesses to be included in the ESG report. If the scope of reporting has changed, the issuer shall explain the difference and the reasons for the change.	Reporting Scope



Major Categories, Aspects, General Disclosures and KPIs (indicators)		Disclosure sections or explanations
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Pollutant Management
Indicator A1.1	The types of emissions and respective emissions data.	Pollutant Management
Indicator A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Pollutant Management
Indicator A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Pollutant Management
Indicator A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Pollutant Management
Indicator A1.5	Description of emission target(s) set and steps taken to achieve them.	GREEN CAMPUS & SUSTAINABLE DEVELOPMENT
Indicator A1.6	Description of how hazardous and non-hazardous wastes are handled and a description of reduction target(s) set and steps taken to achieve them.	GREEN CAMPUS & SUSTAINABLE DEVELOPMENT
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Promoting Frugality and Saving
Indicator A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Pollutant Management
Indicator A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Pollutant Management
Indicator A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	GREEN CAMPUS & SUSTAINABLE DEVELOPMENT Energy Saving



Major Categories, Aspects, General Disclosures and KPIs (indicators)		Disclosure sections or explanations
Indicator A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	GREEN CAMPUS & SUSTAINABLE DEVELOPMENT Water Saving
Indicator A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable to the industry where 21st Century Education operates
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	GREEN CAMPUS & SUSTAINABLE DEVELOPMENT
Indicator A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	GREEN CAMPUS & SUSTAINABLE DEVELOPMENT
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate related issues which have impacted, and those which may impact, the issuer.	Response to Climate Change
Indicator A4.1	Description of major climate events which have and may have an impact on the issuer and how they are dealt with.	Response to Climate Change

Major Categories, Aspects, General Disclosures and KPIs (indicators)		Disclosure sections or explanations
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. 	Standardizing Employee Management System
Indicator B1.1	Total workforce by gender, employment type, age group and geographical region.	Standardizing Employee Management System
Indicator B1.2	Employee turnover rate by gender, age group and geographical region.	Standardizing Employee Management System



VIII. ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Major Categories, Aspects, General Disclosures and KPIs (indicators)		Disclosure sections or explanations
Aspect B2: Health and Safety		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Protecting Employee Health and Safety
Indicator B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Protecting Employee Health and Safety
Indicator B2.2	Lost days due to work injury.	Protecting Employee Health and Safety
Indicator B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Protecting Employee Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Improving Employee Training System
Indicator B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Improving Employee Training System
Indicator B3.2	The average training hours completed per employee by gender and employee category.	Improving Employee Training System
Aspect B4: Labour Standards		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Standardizing Employee Management System
Indicator B4.1	Description of measures to review employment practices to avoid child and forced labour.	Standardizing Employee Management System
Indicator B4.2	Description of steps taken to eliminate such practices when discovered.	Since 21st Century Education has eradicated the possibility of child and forced labour in recruitment and daily work, there was no chance of irregularity



Major Categories, Aspects, General Disclosures and KPIs (indicators)		Disclosure sections or explanations
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Strengthening Supply Chain Management
Indicator B5.1	Number of suppliers by geographical region.	Strengthening Supply Chain Management
Indicator B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Strengthening Supply Chain Management
Indicator B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Strengthening Supply Chain Management
Indicator B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Strengthening Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress. 	Advanced Philosophy and Innovative Model LIFE ORIENTATION AND PROTECTION Responsible Marketing System
Indicator B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	It is not applicable since the businesses of 21st Century Education do not involve any sales or shipping of products
Indicator B6.2	Number of products and service related complaints received and how they are dealt with.	Management System for Complaints
Indicator B6.3	Description of practices relating to observing and protecting intellectual property rights.	Respecting Intellectual Property Rights
Indicator B6.4	Description of quality assurance process and recall procedures.	Advanced Philosophy and Innovative Model LIFE ORIENTATION AND PROTECTION
Indicator B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Protecting Student Information and Data Security



Major Categories, Aspects, General Disclosures and KPIs (indicators)		Disclosure sections or explanations
Aspect B7: Anti-corruption		
General Disclosure	Information on: <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. 	Integrity and Honesty
Indicator B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Integrity and Honesty
Indicator B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Integrity and Honesty
Indicator B7.3	Description of anti-corruption training provided to directors and staff.	Integrity and Honesty
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	HAND IN HAND TO OVERCOME THE DIFFICULTIES TOGETHER
Indicator B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Contributing to the Community with Heart
Indicator B8.2	Resources contributed (e.g. money or time) to the focus area.	HAND IN HAND TO OVERCOME THE DIFFICULTIES TOGETHER



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To the shareholders of China 21st Century Education Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China 21st Century Education Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 130 to 136, 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 International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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



KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p><i>Revenue recognition</i></p> <p>The occurrence and completeness of the Group's revenue are of high inherent risk because of the large volume of tuition and boarding fees processed. In addition, tuition and boarding fees paid in advance at or prior to the beginning of each academic year are recognised as revenue proportionately over the financial years covering that academic year or the respective program. Therefore, revenue may be recorded in an incorrect period of the financial year.</p> <p>The accounting policy for revenue recognition and disclosure of the amount of revenue are included in notes 2.4 and 5 to the financial statements.</p>	<p>As to our audit procedures, we:</p> <ul style="list-style-type: none">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;on a sampling basis, interviewed students, reviewed and checked the relevant supporting documents including the student payment records, official student records registered with the relevant education authorities of the People's Republic of China (the "PRC"), and the payment remittance receipts of tuition and boarding fees;recalculated the amount of contract liabilities and revenue recognised during the year;checked the number of newly enrolled students during the year to the enrolment approval by the relevant PRC education authorities, and reconciled the total number of students at the financial year end to the records on the China Credentials Verification website; andevaluated the adequacy of the Group's disclosures regarding revenue.



KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p><i>Income tax</i></p> <p>As set out in note 10 to the financial statements, pursuant to the 2016 Decision (as defined in note 10 to the financial statements), private schools are no longer being classified as either schools for which the school sponsors require reasonable returns or schools for which the school sponsors do not require reasonable returns. Instead, the school sponsor 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 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 those enjoyed by a public school.</p> <p>As at the date of this report, the Group's school providing formal education in the PRC (the "PRC School") has not yet registered as for-profit private school or non-profit private school and remains as a private non-enterprise unit. In accordance with the tax compliance confirmation obtained from the local tax authority and the advice from the Group's external legal counsel on the preferential tax treatments for the current year, the PRC School treated its academic education income as non-taxable income and there was no corporate income tax paid for such income during the year. In the event that the PRC School elected to register as a for-profit private school and there would be no preferential tax policies applicable for the PRC School, it might be subject to the corporate income tax at a rate of 25% in respect of the academic education income going forward.</p> <p>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 Group schools.</p> <p>Relevant disclosures are included in notes 2.4, 3 and 10 to the financial statements.</p>	<p>As to our audit procedures, we:</p> <ul style="list-style-type: none"> discussed with management to evaluate their interpretation of the tax laws and their assessment of the tax obligations of the schools operated by the Group for the current year; evaluated management's assessment on the application of preferential tax or applicable tax rate to the Group's schools; discussed with the Group's external PRC legal counsel to understand their view with respect to the interpretation of the existing applicable laws which would have an impact on the applicable tax rate on the Group's schools; obtained the legal letter from the Group's external PRC legal counsel regarding the tax position of the Group's schools particularly in respect of the eligibility of the preferential tax treatments under the relevant tax rules and regulations; assessed any new policies, regulations or rules that have been introduced by the authorities up to the date of this report, which might have impact on the tax position of the Group's schools; examined the historical tax filing returns filed to the relevant tax authorities and the tax compliance confirmations obtained, where appropriate; involved our internal tax experts to assist us in analysing the preferential tax treatments enjoyed by certain Group's schools and assessing the adequacy of the tax provisions; and evaluated the adequacy of the Group's disclosures regarding income tax.



IX. INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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



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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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 Hui Kin Fai Stephen.

Ernst & Young
Certified Public Accountants

Hong Kong
31 March 2022



X. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	308,767	253,802
Cost of sales		(181,942)	(131,517)
Gross profit		126,825	122,285
Other income and gains, net	5	59,779	42,168
Selling and distribution expenses		(17,921)	(13,340)
Administrative expenses		(71,176)	(56,118)
Other expenses		(42,480)	(3,661)
Finance costs	7	(26,633)	(12,215)
PROFIT BEFORE TAX	6	28,394	79,119
Income tax expense	10	346	(347)
PROFIT FOR THE YEAR		28,740	78,772
Attributable to:			
Owners of the Company		29,180	77,184
Non-controlling interests		(440)	1,588
		28,740	78,772
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic			
— For profit for the year		RMB2.56 cents	RMB6.51 cents
Diluted			
— For profit for the year		RMB2.56 cents	RMB6.51 cents
PROFIT FOR THE YEAR		28,740	78,772
OTHER COMPREHENSIVE EXPENSE			
Other comprehensive expense that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		(7,139)	(16,414)
Other comprehensive expense that will not be reclassified to profit or loss in subsequent periods:			
Equity investment designated at fair value through other comprehensive income:			
Changes in fair value	17	—	(180)
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR		(7,139)	(16,594)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		21,601	62,178
Attributable to:			
Owners of the Company		22,041	60,590
Non-controlling interests		(440)	1,588
		21,601	62,178

XI. CONSOLIDATED STATEMENT OF FINANCIAL POSITION



31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	251,954	151,126
Right-of-use assets	14(a)	125,168	95,580
Goodwill	15	54,370	68,007
Other intangible assets	16	18,462	20,816
Prepayment to a related party	35(b)	155,000	78,750
Financial assets at fair value through profit or loss	18	927	36,247
Other non-current assets	19	68,776	65,334
Total non-current assets		674,657	515,860
CURRENT ASSETS			
Trade receivables	20	10,997	5,619
Contract costs	21	4,125	3,185
Prepayments, other receivables and other assets	22	54,371	23,877
Amounts due from related parties	35(b)	11,034	5,183
Financial assets at fair value through profit or loss	18	22,552	4,646
Term deposits	23	40,000	40,000
Pledged deposits	23	187,000	187,000
Cash and bank balances	23	334,332	357,700
Other current assets	19	35,015	—
Total current assets		699,426	627,210
CURRENT LIABILITIES			
Other payables and accruals	24	96,605	88,839
Contract liabilities	25	101,301	108,495
Interest-bearing bank and other borrowings	26	335,802	143,926
Lease liabilities	14(b)	16,292	12,717
Amounts due to related parties	35(b)	253	275
Tax payable		2,138	2,914
Other current liabilities		863	5,598
Total current liabilities		553,254	362,764



XI. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NET CURRENT ASSETS		146,172	264,446
TOTAL ASSETS LESS CURRENT LIABILITIES		820,829	780,306
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	110,666	70,035
Lease liabilities	14(b)	20,657	26,436
Deferred tax liabilities	27	741	1,522
Other non-current liabilities		2,978	12,366
Total non-current liabilities		135,042	110,359
Net assets		685,787	669,947
EQUITY			
Share capital	28	9,801	9,801
Treasury shares		(176)	(237)
Reserves	30	668,217	652,490
		677,842	662,054
Non-controlling interests		7,945	7,893
Total equity		685,787	669,947

LI YUNONG
Director

LIU HONGWEI
Director

XII. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY



Year ended 31 December 2021

	Attributable to owners of the Company														Total equity RMB'000									
	Share capital RMB'000 (note 28)	Treasury shares ^A RMB'000 (note 28)	Share premium* RMB'000 (note 30)	Capital reserve* RMB'000 (note 30)	Capital redemption reserve* RMB'000 (note 30)	Statutory surplus reserve* RMB'000 (note 30)	Share-based payment reserve* RMB'000 (note 29)	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Exchange fluctuation reserve* RMB'000	Other reserve* RMB'000 (note 30)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity										
														RMB'000		RMB'000		RMB'000		RMB'000		RMB'000		
At 1 January 2021	9,801	(237)	247,221	54,796	620	125,388	2,082	(2,000)	17,356	1,631	205,396	662,054	7,893	669,947										
Profit for the year	—	—	—	—	—	—	—	—	—	—	29,180	29,180	(440)	28,740										
Exchange differences related to foreign operations	—	—	—	—	—	—	—	—	(7,139)	—	—	(7,139)	—	(7,139)										
Total comprehensive income for the year	—	—	—	—	—	—	—	—	(7,139)	—	29,180	22,041	(440)	21,601										
Capital contribution from the non-controlling shareholder to a subsidiary	—	—	—	—	—	—	—	—	—	—	—	—	492	492										
Final 2020 dividend declared	—	—	(14,545)	—	—	—	—	—	—	—	—	(14,545)	—	(14,545)										
Exercise of share awards under the restricted share unit scheme	—	61	4,469	—	—	—	(3,022)	—	—	—	—	1,508	—	1,508										
Equity-settled share option arrangements	—	—	—	—	—	—	6,784	—	—	—	—	6,784	—	6,784										
Profit appropriation to reserves	—	—	—	—	—	17,509	—	—	—	—	(17,509)	—	—	—										
At 31 December 2021	9,801	(176)	237,145	54,796	620	142,897	5,844	(2,000)	10,217	1,631	217,067	677,842	7,945	685,787										

continued/...



XII. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the Company														Total equity RMB'000
	Share capital RMB'000 (note 28)	Treasury shares [^] RMB'000 (note 28)	Share premium* RMB'000 (note 30)	Capital reserve* RMB'000 (note 30)	Capital redemption reserve* RMB'000 (note 30)	Statutory surplus reserve* RMB'000 (note 30)	Share-based payment reserve* RMB'000 (note 29)	Fair value reserve of financial assets					Non-controlling interests RMB'000		
								at fair value through other comprehensive income* RMB'000	Exchange fluctuation reserve* RMB'000	Other reserve* RMB'000 (note 30)	Retained profits* RMB'000	Total RMB'000			
At 1 January 2020	10,286	(114)	311,557	54,796	135	101,437	1,325	(1,820)	33,770	1,631	152,648	665,651	6,943	672,594	
Profit for the year	—	—	—	—	—	—	—	—	—	—	77,184	77,184	1,588	78,772	
Change in fair value of equity investment	—	—	—	—	—	—	—	(180)	—	—	—	(180)	—	(180)	
Exchange differences related to foreign operations	—	—	—	—	—	—	—	—	(16,414)	—	—	(16,414)	—	(16,414)	
Total comprehensive income for the year	—	—	—	—	—	—	—	(180)	(16,414)	—	77,184	60,590	1,588	62,178	
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	(638)	(638)	
Final 2019 dividend declared	—	—	(23,380)	—	—	—	—	—	—	—	—	(23,380)	—	(23,380)	
Shares repurchased	(485)	114	(23,142)	—	485	—	—	—	—	—	(485)	(23,513)	—	(23,513)	
Repurchase of shares under the restricted share unit scheme	—	(237)	(17,814)	—	—	—	—	—	—	—	—	(18,051)	—	(18,051)	
Share-based payment arrangements	—	—	—	—	—	—	757	—	—	—	—	757	—	757	
Profit appropriation to reserves	—	—	—	—	—	23,951	—	—	—	—	(23,951)	—	—	—	
At 31 December 2020	9,801	(237)	247,221	54,796	620	125,388	2,082	(2,000)	17,356	1,631	205,396	662,054	7,893	669,947	

[^] During the year ended 31 December 2020, the Company repurchased 40,653,000 of its shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the board of the Group authorised the Trustee to purchase 27,999,000 of its shares on the Stock Exchange for the restricted share unit scheme. Upon completion of the repurchase, the number of the then total repurchased shares was 81,324,000, out of which 53,325,000 were subsequently cancelled and the remaining 27,999,000 repurchased shares were presented as treasury shares amounting to RMB237,000 as at 31 December 2020.

During the year ended 31 December 2021, there were no shares repurchased or cancelled. 7,244,000 of its repurchased shares were exercised under the restricted share unit scheme. Upon completion of the exercise, the remaining 20,755,000 repurchased shares were presented as treasury shares amounting to RMB176,000 as at 31 December 2021.

* These reserve accounts comprise the consolidated reserves of RMB668,217,000 in the consolidated statement of financial position as at 31 December 2021 (2020: RMB652,490,000).

XIII. CONSOLIDATED STATEMENT OF CASH FLOWS



Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		28,394	79,119
Adjustments for:			
Finance costs	7	26,633	12,215
Interest income	5	(12,555)	(13,963)
Investment income	5	(4,616)	(4,204)
Changes in fair value of financial assets/liabilities at fair value through profit or loss	6	8,383	469
Recognition of certain donated property, plant and equipment		(10,571)	(9,523)
Covid-19-related rent concessions from lessors	5	—	(1,190)
Covid-19-related VAT exemptions	5	(550)	(1,986)
Change in the non-cancellable period of a lease		267	1,481
Depreciation of property, plant and equipment	6	24,215	17,177
Depreciation of right-of-use assets	6	20,677	20,161
Amortisation of intangible assets	6	2,634	2,288
Provision for equity-settled compensation expense		6,784	757
(Reversal)/provision for expected credit losses on trade receivables	6, 20	(621)	1,451
Impairment of goodwill	15	13,637	—
Impairment of intangible assets	16	3,171	—
Loss on disposal of items of property, plant and equipment, and intangible assets	6	1,169	144
		107,051	104,396
(Increase)/decrease in prepayments, other receivables and other assets		(2,805)	6,599
Increase in trade receivables		(4,757)	(4,382)
Increase in contract costs		(940)	(622)
Increase in amounts due from related parties		(5,799)	(2,460)
Increase in other payables and accruals		2,533	10,147
Decrease in amounts due to related parties		(22)	(867)
(Decrease)/increase in contract liabilities		(7,194)	15,199
Cash generated from operations		88,067	128,010
Interest received		4,053	2,457
Corporate income tax paid		(1,211)	(1,383)
Net cash flows from operating activities		90,909	129,084



XIII. CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		3,292	10,754
Investment income received		3,922	3,997
Purchases for items of property, plant and equipment		(152,434)	(96,195)
Addition to land lease payments		(102,661)	—
Purchases for intangible assets		(4,073)	(617)
Net cash outflow in respect of acquisition of subsidiaries	31	—	(15,685)
Settlement of the remaining consideration in respect of acquisition of a subsidiary		(11,583)	(1,997)
Purchases of financial assets at fair value through profit or loss		—	(5,282)
Purchases of other non-current assets		—	(5,022)
Proceeds from disposal of items of property, plant and equipment, and intangible assets		516	5
(Repayment from)/advances to third parties, net		(21,580)	95,548
Increase in pledged deposits		—	(8,500)
Decrease in non-pledged term deposits with original maturity of more than three months		—	30,000
Net cash flows (used in)/from investing activities		(284,601)	7,006
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		413,759	214,561
Repayment of bank and other borrowings		(181,252)	(143,682)
Principal portion of lease payments		(16,736)	(16,205)
Dividends paid		(14,545)	(23,380)
Dividends paid to non-controlling shareholders		—	(638)
Interest paid		(26,633)	(12,215)
Capital contribution from the non-controlling shareholder to a subsidiary		491	—
Exercise of share awards under the restricted share unit scheme		1,508	—
Repurchases of shares		—	(41,564)
Net cash flows from/(used in) financing activities		176,592	(23,123)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		357,700	258,613
Effect of foreign exchange rate changes, net		(6,268)	(13,880)
CASH AND CASH EQUIVALENTS AT END OF YEAR		334,332	357,700
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position and statement of cash flows	23	334,332	357,700



Year ended 31 December 2021

1. CORPORATE INFORMATION

China 21st Century Education Group Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands on 20 September 2016. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Shares of the Company were listed on the Stock Exchange on 29 May 2018.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in providing educational services and related management services in the People’s Republic of China (the “PRC”).

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Sainage Holdings Company Limited, which is incorporated in the British Virgin Islands (“BVI”).

Information about subsidiaries

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

Company name	Place and date of incorporation/ establishment and place of operations	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Sainage Investment Limited (新安投資有限公司)	BVI 19 October 2016	US\$50,000	100	—	Investment holding
21st Century Education (HK) Investment Limited (香港21世紀教育投資有限公司)	Hong Kong 1 November 2016	HK\$10,000	—	100	Investment holding
Saintach Education (HK) Investment Limited (香港新天際教育投資有限公司)	Hong Kong 3 November 2016	HK\$10,000	—	100	Investment holding
河北晟道象成教育科技有限公司 Hebei Sheng Dao Xiang Cheng Education and Technology Co., Ltd.*# ("Sheng Dao Xiang Cheng")	PRC/Mainland China 14 December 2016	US\$500,000	—	100	Provision of technical and management consultancy services
河北澤瑞教育科技有限公司 Hebei Zerui Education Technology Co., Ltd.*# ("Zerui Education")	PRC/Mainland China 12 July 2017	RMB70,000,000	—	100	Investment holding
石家莊理工職業學院 Shijiazhuang Institute of Technology*#	PRC/Mainland China 1 July 2003	RMB5,000,000	—	100	Provision of university education services and relevant management services
河北新天際教育科技有限公司 Hebei Saintach Education and Technology Co., Ltd.*# ("Hebei Saintach")	PRC/Mainland China 17 September 2002	RMB10,000,000	—	100	Investment holding and provision of kindergarten management service
石家莊市橋西區新天際藍水晶幼兒園 Shijiazhuang Qiaoxi District Blue Crystal Saintach Kindergarten*# ("Blue Crystal")	PRC/Mainland China 4 January 2011	RMB900,000	—	100	Provision of kindergarten education service



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name	Place and date of incorporation/ establishment and place of operations	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
正定縣新天際幼兒園 Zhengding County Saintach Kindergarten** ("Zhengding")	PRC/Mainland China 28 September 2012	RMB500,000	—	100	Provision of kindergarten education service
石家莊市鹿泉區新天際福康幼兒園 Shijiazhuang Luquan District Fukang Saintach Kindergarten** ("Fukang")	PRC/Mainland China 12 October 2012	RMB500,000	—	100	Provision of kindergarten education service
石家莊市長安區新天際清暉幼兒園 Shijiazhuang Chang'an District Qinghui Saintach Kindergarten** ("Qinghui")	PRC/Mainland China 29 March 2013	RMB500,000	—	100	Provision of kindergarten education service
石家莊高新技術產業開發區新天際天山幼兒園 Shijiazhuang High-tech Industrial Development Zone Tianshan Saintach Kindergarten** ("Tianshan")	PRC/Mainland China 20 May 2013	RMB500,000	—	100	Provision of kindergarten education service
石家莊市長安區新天際建華幼兒園 Shijiazhuang Chang'an District Jianhua Saintach Kindergarten** ("Jianhua")	PRC/Mainland China 7 March 2014	RMB100,000	—	100	Provision of kindergarten education service
石家莊市橋西區新天際麗都幼兒園 Shijiazhuang Qiaoxi District Lidu Saintach Kindergarten** ("Lidu")	PRC/Mainland China 29 June 2015	RMB500,000	—	100	Provision of kindergarten education service
正定縣新天際福門里幼兒園 Zhengding County Fumenli Saintach Kindergarten** ("Fumenli")	PRC/Mainland China 29 April 2015	RMB500,000	—	100	Provision of kindergarten education service
石家莊新天際教育科技有限公司 Shijiazhuang Saintach Education and Technology Co., Ltd.** ("Shijiazhuang Saintach")	PRC/Mainland China 13 July 2011	RMB3,000,000	—	100	Dormant
石家莊市橋西區智城培訓學校 Shijiazhuang Qiaoxi District Zhicheng Tutorial School** ("Zhicheng")	PRC/Mainland China 26 February 2009	RMB1,000,000	—	100	Dormant
石家莊市長安區新天際培訓學校 Shijiazhuang Chang'an District Saintach Tutorial School** ("Chang'an")	PRC/Mainland China 20 April 2010	RMB5,000,000	—	100	Dormant
石家莊市橋西區雙語文化培訓學校 Shijiazhuang Qiaoxi District Bilingual Culture Tutorial School** ("Qiaoxi")	PRC/Mainland China 26 November 2013	RMB200,000	—	100	Dormant



Year ended 31 December 2021

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name	Place and date of incorporation/ establishment and place of operations	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
石家莊市裕華區東崗路新天際培訓學校 Shijiazhuang Yuhua District Donggang Road Saintach Tutorial School*# ("Donggang")	PRC/Mainland China 1 February 2016	RMB1,000,000	—	100	Dormant
石家莊市新華區慧軒教育培訓學校 Shijiazhuang Xinhua District Huixuan Education Tutorial School*# ("Huixuan")	PRC/Mainland China 3 August 2016	RMB600,000	—	100	Dormant
石家莊市高新區新天際培訓學校 Shijiazhuang High-tech Industrial Development Zone Saintach Tutorial School*# ("Gaoxin")	PRC/Mainland China 19 December 2016	RMB500,000	—	100	Dormant
北京新天地線信息技術有限公司 Beijing Xin Tian Di Xian Information and Technology Co., Ltd.*# ("Xin Tian Di Xian")	PRC/Mainland China 6 March 2015	RMB3,157,900	—	100	Provision of technical service
北京志航教育科技有限公司 Beijing Zhihang Education Technology Co., Ltd.*# ("Beijing Zhihang")	PRC/Mainland China 30 July 2020	RMB3,000,000	—	100	Provision of technical service
上海志宇教育科技有限公司 Shanghai Zhiyu Education Technology Co., Ltd.* ("Shanghai Zhiyu")	PRC/Mainland China 16 January 2020	RMB5,000,000	—	100	Provision of technical service
浙江培尖科技有限公司 Zhejiang Peijian Technology Co., Ltd.*# ("Zhejiang Peijian")	PRC/Mainland China 29 December 2017	RMB10,000,000	—	51	Investment holding and provision of after-school tutoring service
重慶培尖課外培訓學校有限公司 Chongqing Peijian Tutorial School Ltd.*# ("Chongqing Peijian")	PRC/Mainland China 16 May 2018	RMB1,000,000	—	51	Provision of after-school tutoring service
杭州華石培尖培訓學校有限公司 Hangzhou Huashi Peijian Tutorial School Ltd.*# ("Hangzhou Huashi")	PRC/Mainland China 17 October 2018	RMB1,000,000	—	51	Provision of after-school tutoring service
杭州一脈學鼎教育科技有限公司 Hangzhou Yimai Enterprise Management Consulting Co., Ltd.*# ("Hangzhou Yimai")	PRC/Mainland China 16 May 2018	RMB1,250,000	—	70	Investment holding



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

1. CORPORATE INFORMATION (Continued)

Information about subsidiaries (Continued)

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

Company name	Place and date of incorporation/ establishment and place of operations	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
紹興上虞學鼎教育諮詢有限公司 Shaoxing Shangyu Xueding Education Consulting Co., Ltd.*# ("Shangyu Company")	PRC/Mainland China 17 September 2010	RMB150,000	—	70	Investment holding and provision of after-school tutoring service
石家莊哲瀚圖書銷售有限公司 Shijiazhuang Zhehan Book Sales Co., Ltd.*# ("Zhehan")	PRC/Mainland China 13 January 2015	RMB1,000,000	—	100	Sale of books
重慶澤際文化傳播有限公司 Chongqing Zeji Culture Communication Co., Ltd.*# ("Chongqing Zeji")	PRC/Mainland China 2 July 2021	RMB3,000,000	—	100	Provision of technical service
石家莊澤瑞教育科技有限公司 Shijiazhuang Zerui Education Technology Co., Ltd.*# ("Shijiazhuang Zerui")	PRC/Mainland China 2 July 2021	RMB50,000,000	—	100	Provision of technical service
北京合賢教育科技有限公司 Beijing Hexian Education Technology Co., Ltd.* ("Beijing Hexian")	PRC/Mainland China 4 June 2021	USD1,000,000	—	100	Provision of technical service
愛迪歐環球(北京)教育科技有限公司 Aidiou Global (Beijing) Education Technology Co., Ltd.*# ("Aidiou Education")	PRC/Mainland China 11 November 2011	RMB5,000,000	—	100	Provision of educational counselling service
舟山市學鼎託管服務有限公司 Zhoushan Shinedao Xueding Trusteeship Service Co., Ltd.*# ("Xueding Tuoguan")	PRC/Mainland China 31 March 2021	RMB300,000	—	100	Provision of after-school childcare service

* The English names of all the above companies represent the best effort made by the directors of the Company to translate their Chinese names as these companies have not been registered with any official English names.

These entities are owned through contractual arrangements.

During the year, the Group completed the deregistration of Chongqing Hezhuan Education Technology Co., Ltd. (重慶和環教育科技有限公司), Chongqing Ruizhuansheng Education Technology Co., Ltd. (重慶睿瑒晟教育科技有限公司), Jiashan County Shinedo Education Tutorial School, Ltd. (嘉善縣學鼎培訓學校有限公司), and Yuyao Xuedao Education Tutorial School, Ltd. (余姚學道教育培訓學校有限公司).

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.



Year ended 31 December 2021

2.1 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) (which include all International Financial Reporting Standards, International Accounting Standards (“IASs”) and Interpretations) issued by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an equity investment at fair value through other comprehensive income, financial assets at fair value through profit or loss, and a contingent consideration payable 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 Group 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.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company 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.



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

- (b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the 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.



Year ended 31 December 2021

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

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

Amendments to IFRS 3	<i>Reference to the Conceptual Framework¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
IFRS 17	<i>Insurance Contracts²</i>
Amendments to IFRS 17	<i>Insurance Contracts^{2,4}</i>
Amendments to IFRS 17	<i>Initial Application of IFRS17 and IFRS9 — Comparative Information²</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current²</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies²</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates²</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use¹</i>
Amendments to IAS 37	<i>Onerous Contracts — Cost of Fulfilling a Contract¹</i>
<i>Annual Improvements to IFRS Standards 2018–2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 ¹

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

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

³ No mandatory effective date yet determined but available for adoption

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

The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.



Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.



Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement

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

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

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

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

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

An assessment is made as 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;
 - (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; and the sponsoring employers of the post-employment benefit plan;
 - (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.



Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. 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.

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

Buildings and facilities	2.88% to 19.00%
Leasehold improvements	19.00% to 33.33%
Equipment	19.00% to 31.67%
Furniture and fixtures	19.00%
Motor vehicles	11.88% to 23.75%

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 as 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 sale proceeds and the carrying amount of the relevant asset.

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. 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 as at each financial year end.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on a straight-line basis over its estimated useful life of 5 to 10 years.

Brands

Brands mainly represent brands that are stated at cost less any impairment losses and are amortised on a straight-line basis over their estimated useful lives of 10 years.

Other intangible assets

Other intangible assets mainly represent certain media platforms and copyrights that are stated at cost less any impairment losses and are amortised on a straight-line basis over their estimated useful lives ranging from 3 to 10 years.



Year ended 31 December 2021

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. 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	32 to 36 years
Buildings	1 to 14 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.

(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 and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of property (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). It also applies the recognition exemption for leases of low-value assets.

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



Year ended 31 December 2021

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.

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

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

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the profit or loss. Dividends are recognised as other income in profit or loss 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, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.



Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss

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

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 profit or loss 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.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

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.



Year ended 31 December 2021

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 to be in default (other than trade receivables) 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.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets 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



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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.

The Group's financial liabilities include other payables and accruals, interest-bearing bank and other borrowings, other current liabilities, other non-current liabilities and amounts due to related parties.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

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

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

Derecognition of financial liabilities

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

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



Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Income tax

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

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

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

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

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



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

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, 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 as 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 as 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 each reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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.

Revenue recognition

Revenue from contracts with customers

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

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.



Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Tuition and boarding fees are generally received by the college, tutorial centers and kindergartens in advance prior to the beginning of each academic year or the respective program, and are initially recorded as contract liabilities. Tuition and boarding fees are recognised proportionately over the relevant period of the academic year of the respective program. The portion of tuition and boarding payments received from students but not earned is recorded as contract liabilities and is reflected as a current liability as such amounts represent revenue that the Group expects to earn within one year.

The Group does not expect to have significant 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.

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.

College management service income and other services income are recognised when services are provided.

Contract liabilities

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

Contract costs

Other than the costs which are capitalised as 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:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) 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.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to profit or loss 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.



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Company operates two share option schemes and a restricted share unit scheme (“RSU Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. Further details are given in note 29 to these financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.



Year ended 31 December 2021

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other 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 (being a defined contribution 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.

The only obligation of the Group with respect to such defined contribution scheme is to make the specified contributions. During the year ended 31 December 2021, there was no forfeited contributions under the defined contribution scheme above which may be used by the Group to reduce the contribution payable.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

Foreign currencies

These financial statements are presented in RMB. The functional currency of the Company is Hong Kong dollars ("HK\$"). 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 as at the end of each of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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

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

The functional currencies of certain overseas subsidiaries are currencies other than RMB. 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 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 profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

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. 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 judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Contractual arrangements

The Group exercises control over Shijiazhuang Institute of Technology, Shijiazhuang Saintach and its tutorial centers, Zhejiang Peijian and its tutorial schools, Hangzhou Yimai, Shangyu Company and its tutorial schools, Hebei Saintach and its kindergartens, Xin Tian Di Xian, Beijing Zhihang and Zerui Education (collectively, the "Structured Entities") and enjoys economic benefits of the Structured Entities through a series of contractual arrangements.

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

Current and deferred tax

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

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 goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2021, the carrying amount of goodwill was RMB54,370,000 (2020: RMB68,007,000). Further details are given in note 15 to the financial statements.



Year ended 31 December 2021

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).

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 technical or commercial obsolescence arising from changes or improvements in the provision of services, or from a change in the market demand for the service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed as at the end of each reporting period. Further details of the property, plant and equipment are set out in note 13 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education services and the college management services in the PRC.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit which is measured consistently with the Group’s profit before tax except that finance costs (other than interest on lease liabilities), interest income and other unallocated expenses are excluded from such measurement.



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

4. OPERATING SEGMENT INFORMATION (Continued)

Segment assets exclude cash and bank balances, term deposits, pledged deposits, financial assets at fair value through profit or loss, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2021	Vocational education RMB'000	Quality-oriented education RMB'000	Total RMB'000
Segment revenue (note 5)			
Sales to external customers	185,581	123,186	308,767
Other revenue	41,711	2,968	44,679
Revenue	227,292	126,154	353,446
Segment results	105,531	6,158	111,689
<i>Reconciliation</i>			
Finance costs (other than interest on lease liabilities)			(24,756)
Interest income			12,555
Unallocated income and expenses, net			(71,094)
Profit before tax			28,394
Segment assets	576,270	95,440	671,710
<i>Reconciliation</i>			
Term deposits			40,000
Pledged deposits			187,000
Cash and bank balances			334,332
Financial assets at fair value through profit or loss			23,479
Unallocated head office and corporate assets			117,562
Total assets			1,374,083
Segment liabilities	(174,170)	(46,106)	(220,276)
<i>Reconciliation</i>			
Interest-bearing bank and other borrowings			(446,468)
Tax payable			(2,138)
Unallocated head office and corporate liabilities			(19,414)
Total liabilities			(688,296)
Other segment information:			
Depreciation and amortisation	29,329	18,197	47,526
Capital expenditure [^]	165,277	34,304	199,581
Impairment loss on goodwill and other intangible assets	—	16,808	16,808
Loss on disposal of items of property, plant and equipment	420	749	1,169



Year ended 31 December 2021

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2020	Vocational education RMB'000	Quality-oriented education RMB'000	Total RMB'000
Segment revenue (note 5)			
Sales to external customers	152,806	100,996	253,802
Other revenue	22,825	2,920	25,745
Revenue	175,631	103,916	279,547
Segment results	94,703	11,034	105,737
<i>Reconciliation</i>			
Finance costs (other than interest on lease liabilities)			(9,579)
Interest income			13,963
Unallocated income and expenses, net			(31,002)
Profit before tax			79,119
Segment assets	355,836	70,447	426,283
<i>Reconciliation</i>			
Term deposits			40,000
Pledged deposits			187,000
Cash and bank balances			357,700
Financial assets at fair value through profit or loss			40,893
Unallocated head office and corporate assets			91,194
Total assets			1,143,070
Segment liabilities	(159,153)	(66,033)	(225,186)
<i>Reconciliation</i>			
Interest-bearing bank and other borrowings			(213,961)
Tax payable			(2,914)
Unallocated head office and corporate liabilities			(31,062)
Total liabilities			(473,123)
Other segment information:			
Depreciation and amortisation	21,376	18,250	39,626
Capital expenditure [^]	28,647	9,794	38,441
Loss on disposal of items of property, plant and equipment	1	143	144

[^] Capital expenditure consists of additions in right-of-use assets, property, plant and equipment, and intangible assets including assets from the acquisition of subsidiaries.

Geographical information

During the years ended 31 December 2021 and 2020 the Group operated within one geographical segment because all of its revenue was generated in Mainland China and all of its long-term assets were located in Mainland China. Accordingly, no geographical segment information is presented.

Information about major customers

During the years ended 31 December 2021 and 2020, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Notes	2021 RMB'000	2020 RMB'000
<i>Revenue from contracts with customers</i>			
Vocational education			
Tuition fees		128,841	113,348
Boarding fees		16,780	7,179
College operation service income	(a)	23,414	21,089
Others	(b)	16,546	11,190
		185,581	152,806
Quality-oriented education			
Tutoring fees		88,695	84,527
Tuition fees		30,948	10,734
Consultation fees		3,543	5,735
		123,186	100,996
		308,767	253,802

Notes:

- (a) The college operation service income comprises the service income derived from the provision of college operation services and the provision of accommodation services to the students; and
- (b) Others represent service fees received from certain independent universities in respect of the provision of student recruitment services, income received from the provision of vocational training and examination preparation courses and income derived from granting the right of canteen management.

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021 RMB'000	2020 RMB'000
<i>Timing of revenue recognition</i>		
Education related services transferred over time	301,566	245,939
Other services recognised at a point of time	7,201	7,863
	308,767	253,802

The Group's contracts with students for college education programmes are normally with a duration of one year renewed up to a total duration of three to five years depending on the education programmes, while those for boarding fees are normally with a duration of one year. Tuition fees of preschool education are with a duration of one month and for the tutorial center, tuition is charged based on the number of tutoring hours to be taken by students and the type of class. Tuition and boarding fees are determined by the Group and paid by the students before the start of the school year.



Year ended 31 December 2021

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

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

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Tuition fees	90,775	78,253
Boarding fees	10,637	9,786
Others	7,083	5,257
	108,495	93,296

No revenue recognised during the year relates to performance obligation that was satisfied in prior years.

(ii) Performance obligations

Education related services

The performance obligations for the provision of education related services are satisfied over time as services are rendered and payment for tuition fees and boarding fees are normally required before rendering the services.

Other services

The performance obligations related to other services are satisfied at the point of time upon completion of the related services.

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

An analysis of other income and gains is as follows:

	Notes	2021 RMB'000	2020 RMB'000
<i>Other income and gains, net</i>			
Interest income		12,555	13,963
Investment income		4,616	4,204
Sale of education materials and living goods		5,480	4,327
Site use fees	(a)	2,158	2,101
Government grants	(b)	2,545	2,460
Covid-19-related VAT exemptions		550	1,986
Covid-19-related rent concessions		—	1,190
Fair value gain/(loss) on financial assets/liabilities at fair value through profit or loss		11,410	(469)
Foreign exchange gain		9,223	1,984
Others		11,242	10,422
		59,779	42,168

Notes:

- (a) The amounts represent usage fees received from certain colleges and enterprises in connection with their uses of the school premises and facilities of the Group to organise teaching and training activities.
- (b) The government grants were received by the Group and credited to profit or loss. There were no unfulfilled conditions in respect of these government grants.



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

6. PROFIT BEFORE TAX

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

	Notes	2021 RMB'000	2020 RMB'000
Depreciation of property, plant and equipment	13	24,215	17,177
Depreciation of right-of-use assets	14(a)	20,677	20,161
Amortisation of intangible assets*	16	2,634	2,288
Lease payments not included in the measurement of lease liabilities	14(c)	2,501	1,824
Employee benefit expense (excluding directors' remuneration (note (8))):			
Wages and salaries		101,554	84,305
Pension scheme contributions (defined contribution scheme)		11,852	11,075
Equity-settled compensation expenses		3,622	232
		117,028	95,612
Foreign exchange differences, net		(9,223)	(1,984)
(Reversal of impairment)/impairment of trade receivables	20	(621)	1,451
Impairment of goodwill**	15	13,637	—
Impairment of other intangible assets**	16	3,171	—
Changes in fair value of financial assets/liabilities at fair value through profit or loss		8,383	469
Auditor's remuneration		1,930	1,830
Loss on disposal of items of property, plant and equipment		1,169	144

* Included in "Cost of sales" or "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

** Included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interest on bank and other borrowings	24,187	8,266
Interest on lease liabilities (note 14(c))	1,877	2,636
Financing consultancy service charges [^]	569	1,313
	26,633	12,215

[^] Financing consultancy service charges represented service charges paid by the Group in respect of certain bank and other borrowings obtained.



Year ended 31 December 2021

8. DIRECTORS' REMUNERATION

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

	2021 RMB'000	2020 RMB'000
Fees	192	192
Other emoluments:		
Salaries, allowances and benefits in kind	1,444	761
Equity-settled share option expense	3,162	525
Pension scheme contributions	396	215
	5,002	1,501
	5,194	1,693

In 2020, certain directors were granted share options under the share option scheme and the restricted share unit scheme of the Company in respect of their services to the Group. Further details are set out in note 29 to the financial statements.

(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. Guo Litian	60	60
Mr. Yao Zhijun	60	60
Mr. Wan Joseph Jason	72	72
	192	192

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

(b) Executive directors

Year ended 31 December 2021	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
Mr. Li Yunong	239	82	753	1,074
Mr. Liu Hongwei	138	57	771	966
Mr. Ren Caiyin	136	57	468	661
Ms. Yang Li	72	26	468	566
Mr. Liu Zhanjie*	156	59	390	605
Mr. Li Yasheng*	703	115	312	1,130
	1,444	396	3,162	5,002



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

8. DIRECTORS' REMUNERATION (Continued)

(b) Executive directors (Continued)

Year ended 31 December 2020	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share option expense RMB'000	Total remuneration RMB'000
Mr. Li Yunong	240	68	35	343
Mr. Liu Zhanjie	154	59	177	390
Ms. Liu Hongwei	149	31	117	297
Mr. Ren Caiyin	149	42	97	288
Ms. Yang Li	69	15	99	183
	761	215	525	1,501

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

* Mr. Liu Zhanjie has resigned as executive director and the vice chairman of the Board with effect from 31 March 2021. Mr. Li Yasheng has served as an executive director with effect from 31 March 2021.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2020: one), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2020: four) 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	1,694	1,918
Pension scheme contributions	374	295
Equity-settled share option expense	91	—
	2,159	2,213

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

	2021	2020
Nil to HK\$1,000,000	3	4



Year ended 31 December 2021

10. INCOME TAX

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

The Company's directly held subsidiary was incorporated in the BVI as an exempted company with limited liability under the BVI Companies Act 2004 and accordingly is not subject to income tax.

Hong Kong Profits Tax

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.

PRC Corporate Income Tax ("PRC CIT")

Xin Tian Di Xian was accredited as a High-tech Enterprise and was entitled to a preferential tax rate of 15% (2020: 15%).

Certain subsidiaries were certified as small and micro-sized enterprises ("SMEs") in 2021. Their accumulated taxable income after further reductions would enjoy the preferential tax rate of 20% (2020: 20%).

Pursuant to the CIT Law and the respective regulations, the other non-school PRC subsidiaries were subject to income tax at a statutory rate of 25% for the year (2020: 25%).

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 Implementation Rules for the Private Schools 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.

According to the Implementing Opinions of Hebei Provincial Government on Encouraging Social Support to Promote the Healthy Development of Private Education (《河北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 Hebei Province in January 2018, school sponsors of private schools which were established 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. And a five-year transition period was introduced during which time the existing administrative measures should still apply to the existing private schools until 1 September 2022. As at the date of approval of these financial statements, the Group's schools in the PRC have not yet registered as for-profit private schools or non-profit private schools and remain as private non-enterprise units.



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

10. INCOME TAX (Continued)

PRC CIT (Continued)

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 Group's school remains as a private non-enterprise unit and, in accordance with the tax compliance confirmation obtained from the local tax authorities and the legal opinion from the Group's external legal counsel on the preferential tax treatments for the current year, the Group's schools treated their academic education income as non-taxable income and there was no corporate income tax provided for such income during the year. In the event that the Group's schools elected to register as for-profit private schools and there would be no preferential tax policies applicable for the Group's schools, it might be subject to the corporate income tax at a rate of 25% in respect of the academic education income going forward.

As a result, except for the tutorial centers and certain kindergartens, there was no CIT imposed on Shijiazhuang Institute of Technology and the remaining kindergartens in respect of the education services provided in 2021 (2020: Nil).

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

	2021 RMB'000	2020 RMB'000
Current — Mainland China		
Charge for the year	463	1,037
Overprovision in prior years	(28)	(563)
Deferred (note 27)	(781)	(127)
	(346)	347

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

	2021 RMB'000	2020 RMB'000
Profit before tax	28,394	79,119
Tax at the statutory tax rate	7,099	19,780
Profit arising from schools not subject to tax	(34,055)	(29,292)
Effect of different tax rates for certain group entities	(2,598)	(1,603)
Expenses not deductible for tax	1,585	537
Adjustments in respect of current tax of previous periods	(28)	(563)
Tax losses utilised from previous periods	(1,092)	(1,165)
Tax losses not recognised	28,743	12,653
	(346)	347

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.



Year ended 31 December 2021

10. INCOME TAX (Continued)

PRC CIT (Continued)

At 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China (2020: Nil). In the opinion of the directors, the Group's unremitted earnings will be retained in Mainland China for the expansion of the Group's operation, so 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 RMB191,445,000 at 31 December 2021 (2020: RMB162,900,000).

As at 31 December 2021, the Group had tax losses arising in Mainland China of RMB67,365,000 (2020: RMB63,470,000) 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 have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. DIVIDENDS

	2021 RMB'000	2020 RMB'000
Proposed final — HK0.63 cents (2020: HK1.57 cents) per ordinary share	5,964	15,437

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 COMPANY

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company and the adjusted weighted average number of the ordinary shares of 1,139,256,694 (2020: 1,186,289,146) in issue during the year.

The calculation of the diluted earnings per share amount for the year ended 31 December 2021 is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is the adjusted weighted average 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.

There was no dilution effect on the basic earnings per share amount presented in respect of the share options and restricted share units outstanding as at 31 December 2020, and as such the Group had no potential dilutive ordinary shares in issue during the year ended 31 December 2020.



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (Continued)

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

	2021 RMB'000	2020 RMB'000
<i>Earnings</i>		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	29,180	77,184
	Number of shares	
	2021	2020
<i>Shares</i>		
Weighted average number of ordinary shares in issue	1,167,216,000	1,187,831,671
Weighted average number of shares held for the RSU Scheme	(27,959,306)	(1,542,525)
Adjusted weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	1,139,256,694	1,186,289,146
Effect of dilution — weighted average number of ordinary shares: RSU Scheme	1,050,752	—
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	1,140,307,446	1,186,289,146

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2021	Buildings and facilities RMB'000	Leasehold improvements RMB'000	Equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2020 and 1 January 2021:							
Cost	112,887	58,747	48,324	22,585	60	8,487	251,090
Accumulated depreciation	(21,059)	(32,962)	(29,410)	(16,478)	(55)	—	(99,964)
Net carrying amount	91,828	25,785	18,914	6,107	5	8,487	151,126
At 1 January 2021, net of accumulated depreciation	91,828	25,785	18,914	6,107	5	8,487	151,126
Additions	8,220	8,651	10,956	2,061	312	26,906	57,106
Purchases from a related party	69,000	—	—	—	—	—	69,000
Disposals	(99)	—	(507)	(457)	—	—	(1,063)
Depreciation provided during the year (note 6)	(4,632)	(10,945)	(6,184)	(2,441)	(13)	—	(24,215)
Transfer	31,356	—	—	—	—	(31,356)	—
At 31 December 2021, net of accumulated depreciation	195,673	23,491	23,179	5,270	304	4,037	251,954
At 31 December 2021:							
Cost	219,478	67,398	54,719	21,940	372	4,037	367,944
Accumulated depreciation	(23,805)	(43,907)	(31,540)	(16,670)	(68)	—	(115,990)
Net carrying amount	195,673	23,491	23,179	5,270	304	4,037	251,954



Year ended 31 December 2021

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

31 December 2020	Buildings and facilities RMB'000	Leasehold improvements RMB'000	Equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2019 and 1 January 2020:							
Cost	112,887	51,472	35,391	21,769	60	2,953	224,532
Accumulated depreciation	(17,823)	(23,934)	(26,220)	(15,783)	(53)	—	(83,813)
Net carrying amount	95,064	27,538	9,171	5,986	7	2,953	140,719
At 1 January 2020, net of accumulated depreciation	95,064	27,538	9,171	5,986	7	2,953	140,719
Additions	—	4,380	13,274	1,620	—	8,408	27,682
Acquisition of subsidiaries (note 31)	—	22	29	—	—	—	51
Disposals	—	—	(22)	(126)	(1)	—	(149)
Depreciation provided during the year (note 6)	(3,236)	(9,029)	(3,538)	(1,373)	(1)	—	(17,177)
Transfer	—	2,874	—	—	—	(2,874)	—
At 31 December 2020, net of accumulated depreciation	91,828	25,785	18,914	6,107	5	8,487	151,126
At 31 December 2020:							
Cost	112,887	58,747	48,324	22,585	60	8,487	251,090
Accumulated depreciation	(21,059)	(32,962)	(29,410)	(16,478)	(55)	—	(99,964)
Net carrying amount	91,828	25,785	18,914	6,107	5	8,487	151,126

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of land and buildings used in its operations. Lump sum payments were made upfront to acquire the leasehold land from the owners with lease periods of 32 to 36 years, and no ongoing payments will be made under the terms of these land leases. Leases of certain buildings generally have lease terms between 1 and 14 years. And the remaining buildings generally have lease terms of 12 months or less and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

14. LEASES (Continued)

The Group as a lessee (Continued)

(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	58,584	68,784	127,368
Additions	—	7,421	7,421
Depreciation charge	(1,757)	(18,404)	(20,161)
Revision of a lease term arising from a change in the non-cancellable period of a lease	—	(19,048)	(19,048)
As at 31 December 2020 and 1 January 2021	56,827	38,753	95,580
Additions	36,000	33,402	69,402
Depreciation charge	(2,599)	(18,078)	(20,677)
Revision of a lease term arising from a change in the non-cancellable period of a lease	—	(11,201)	(11,201)
Decreases due to terminations	—	(7,936)	(7,936)
As at 31 December 2021	90,228	34,940	125,168

(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	39,153	66,694
New leases	33,402	7,421
Accretion of interest recognised during the year	1,877	2,636
Covid-19-related rent concessions from lessors	—	(1,190)
Payments	(18,613)	(18,841)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(11,456)	(17,567)
Decreases due to terminations	(7,414)	—
Carrying amount at 31 December	36,949	39,153
Analysed into:		
Current portion	16,292	12,717
Non-current portion	20,657	26,436

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

During the years ended 31 December 2021 and 2020, the Company leased certain properties from its related party, Lionful Education. Lease expense including the amortisation and interests of lease liabilities in aggregate recognised under the arrangement was RMB3,983,000 (2020: RMB6,211,000).



Year ended 31 December 2021

14. LEASES (Continued)

The Group as a lessee (Continued)

(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	1,877	2,636
Depreciation charge of right-of-use assets	20,677	20,161
Expense relating to short-term leases (included in cost of sales)*	2,133	1,491
Expense relating to leases of low-value assets (included in administrative expenses)*	368	333
Covid-19-related rent concessions from lessors	—	(1,190)
Total amount recognised in profit or loss	25,055	23,431

* Lease expenses not included in the measurement of lease liabilities in aggregate amounted to RMB2,501,000 (2020: RMB1,824,000).

(d) The total cash outflow for leases is disclosed in note 32(c) to the financial statements.

15. GOODWILL

	RMB'000
At 1 January 2020	
Cost	47,171
Acquisition of subsidiaries (note 31)	20,836
Cost and net carrying amount at 31 December 2020	68,007
At 1 January 2021	
Cost	68,007
Impairment during the year	(13,637)
Net carrying amount at 31 December 2021	54,370
At 31 December 2021	
Cost	68,007
Accumulated impairment	(13,637)
Net carrying amount	54,370



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

15. GOODWILL (Continued)

Impairment testing of goodwill

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2021 RMB'000	2020 RMB'000
Hangzhou Yimai	—	13,417
Zhejiang Peijian	16,633	16,633
Xin Tian Di Xian	17,121	17,121
Aidiou Education	20,616	20,616
Zhehan	—	220
	54,370	68,007

The recoverable amounts of the cash-generating units have been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The following describes the key assumptions on which management has based for the cash flow projections to undertake impairment testing of goodwill:

Cash-generating unit	Pre-tax discount rate		Long term growth rate	
	2021	2020	2021	2020
Hangzhou Yimai [^]	20%	19%	3%	3%
Zhejiang Peijian [*]	23%	24%	3%	3%
Xin Tian Di Xian [*]	22%	22%	3%	3%
Aidiou Education [*]	26%	25%	3%	3%
Zhehan [^]	22%	22%	3%	3%

[^] **Cash-generating units of Hangzhou Yimai and Zhehan**

As at 31 December 2021, the recoverable amounts of the cash-generating units of Hangzhou Yimai and Zhehan was RMB2,926,000 and nil, respectively. Impairment losses of RMB13,637,000 and RMB3,171,000 were provided for the goodwill and the intangible asset related to the above cash-generating units, respectively, in response to the adverse impact arising from recent policies on off-campus tutoring industry promulgated by the local government, and were included in "Other expenses" in the consolidated statement of profit or loss and other comprehensive income.

^{*} **Cash-generating units of Zhejiang Peijian, Xin Tian Di Xian and Aidiou Education**

In the opinion of the Company's directors, any reasonably possible change in the key assumptions used in the assessment of these cash-generating units would not cause the cash-generating unit's carrying amounts to exceed their recoverable amounts.



Year ended 31 December 2021

15. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted sales amounts — The budgeted sales amounts are based on the historical data and management's expectation on the future market.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Long term growth rate — The long term growth rate is based on the historical data and management's expectation on the future market.

Discount rate — The discount rate reflects specific risks relating to the relevant unit, which is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain publicly listed companies conducting business in the industry.

The values assigned to the key assumptions on market development of the cash-generating units and the discount rate are consistent with external information sources.

16. OTHER INTANGIBLE ASSETS

	Computer software RMB'000	Brands RMB'000	Other intangible assets RMB'000	Total RMB'000
31 December 2021				
Cost at 1 January 2021, net of accumulated amortisation	1,820	15,714	3,282	20,816
Additions	4,073	—	—	4,073
Disposals	(622)	—	—	(622)
Impairment during the year	—	(3,171)	—	(3,171)
Amortisation provided during the year (note 6)	(345)	(1,770)	(519)	(2,634)
At 31 December 2021, net of accumulated amortisation	4,926	10,773	2,763	18,462
At 31 December 2021:				
Cost	6,638	17,700	3,786	28,124
Accumulated amortisation and impairment	(1,712)	(6,927)	(1,023)	(9,662)
Net carrying amount	4,926	10,773	2,763	18,462



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

16. OTHER INTANGIBLE ASSETS (Continued)

	Computer software RMB'000	Brands RMB'000	Other intangible assets RMB'000	Total RMB'000
31 December 2020				
Cost at 1 January 2020, net of accumulated amortisation	1,469	17,484	864	19,817
Additions	617	—	—	617
Acquisition of subsidiaries (note 31)	—	—	2,670	2,670
Amortisation provided during the year (note 6)	(266)	(1,770)	(252)	(2,288)
At 31 December 2020, net of accumulated amortisation	1,820	15,714	3,282	20,816
At 31 December 2020:				
Cost	3,525	17,700	3,786	25,011
Accumulated amortisation	(1,705)	(1,986)	(504)	(4,195)
Net carrying amount	1,820	15,714	3,282	20,816

17. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 RMB'000	2020 RMB'000
Equity investment designated at fair value through other comprehensive income		
Unlisted equity investment, at fair value		
Beijing Ying Yu New Media Interaction Technology Co., Ltd.		
1 January	—	180
Change in fair value	—	(180)
31 December	—	—

The above equity investment is irrevocably designated at fair value through other comprehensive income as the Group considers the investment to be strategic in nature.



Year ended 31 December 2021

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2021 RMB'000	2020 RMB'000
A listed equity investment, at fair value	(i)	7,734	4,646
Other unlisted investment, at fair value			
Wealth capital management products	(ii)	14,818	35,325
Life insurance policy	(iii)	927	922
		23,479	40,893
Analysed into:			
Current portion		22,552	4,646
Non-current portion		927	36,247

Notes:

- (i) The above equity investment was classified as a financial asset at fair value through profit or loss as it was held for trading.
- (ii) The unlisted investment was wealth management products, which 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.
- (iii) The Group's financial assets at fair value through profit or loss represented a life insurance policy to insure an executive director as at 31 December 2021. Under the policy, the Group is the beneficiary and the policy holder. The Group paid upfront premiums for the policy and may surrender the insurance policies any time by making a written request and receive cash based on the surrender value of the policies at the date of withdrawal, which is calculated by the insurer. In the opinion of the directors, the surrender value of the policies provided by the insurance company is the best approximation of its fair value, which is categorised within Level 3 of the fair value hierarchy. The life insurance policy was mandatorily classified as a financial asset at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest.

As at 31 December 2021, the Group's life insurance policies were pledged as security for bank facilities granted to the Group. Further details are contained in note 26(ii) to the financial statements.

In the opinion of the directors, the Group's life insurance policy would not be surrendered within the next 12 months and was therefore classified as non-current assets.



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

19. OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS

	Notes	2021 RMB'000	2020 RMB'000
Other unlisted investments, at amortised cost			
Trust funds	(i)	65,130	65,334
Deposit	(ii)	38,661	—
		103,791	65,334
Analysed into:			
Current portion		35,015	—
Non-current portion		68,776	65,334

Notes:

- (i) Other non-current assets are stand-alone trust funds classified as financial assets at amortised cost as their contractual cash flows are solely payments of principal and interest and they were held for collecting the contractual cash flows. 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, the loss allowance was assessed to be minimal.
- (ii) The balance represents a deposit for a parcel of land reserved for educational use with a term of 50 years. As at 22 March 2022, the Group announced it has successfully bid the land which would be used for the construction of a new campus for Shijiazhuang Institute of Technology.

20. TRADE RECEIVABLES

	2021 RMB'000	2020 RMB'000
Tuition receivables	12,406	8,049
Impairment	(1,409)	(2,430)
	10,997	5,619

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in September. The outstanding receivables represent amounts related to students who have applied for the delayed payment 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 trade receivables relate to a large number of diversified students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables 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	7,622	4,637
One to two years	2,511	895
Two to three years	864	87
	10,997	5,619



Year ended 31 December 2021

20. TRADE RECEIVABLES (Continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021 RMB'000	2020 RMB'000
At beginning of year	2,430	979
(Reversal of impairment losses)/impairment losses (note 6)	(621)	1,451
Write-off	(400)	—
At end of year	1,409	2,430

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the trade receivables are from the same customer bases. The provision rates of the trade receivables are based on days past due of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflects the historical loss rate, adjusted for forward-looking, reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

As at 31 December 2021

	Current	Past due		Total
		Less than 183 days	Over 183 days	
Expected credit loss rate	9%	33%	96%	11%
Gross carrying amount (RMB'000)	11,997	54	355	12,406
Expected credit losses (RMB'000)	1,050	18	341	1,409

As at 31 December 2020

	Current	Past due		Total
		Less than 183 days	Over 183 days	
Expected credit loss rate	19%	60%	100%	30%
Gross carrying amount (RMB'000)	6,116	1,636	297	8,049
Expected credit losses (RMB'000)	1,148	985	297	2,430

21. CONTRACT COSTS

Contract costs capitalised as at 31 December 2021 related to the incremental commission fees for successful referral of students entering into contracts for the tuition services. Contract costs are recognised as part of selling expenses in profit or loss in the period in which revenue from the related tuition services is recognised. The amount of capitalised costs recognised in profit or loss during the year ended 31 December 2021 was RMB4,795,000 (2020: RMB3,549,000). There was no impairment in relation to the costs capitalised as at 31 December 2021.

The contract costs are amortised over the duration of the education programmes ranging from 1 to 3 years.



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Prepayments	5,524	5,132
Deposits	10,509	5,924
Other receivables	38,338	12,821
	54,371	23,877

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.

23. CASH AND BANK BALANCES, TERM DEPOSITS AND PLEDGED DEPOSITS

	Note	2021 RMB'000	2020 RMB'000
Cash and bank balances		334,332	357,700
Pledged deposits	26(ii)	187,000	187,000
Term deposits		40,000	40,000
		561,332	584,700
Less: Pledged deposits for bank facilities		(187,000)	(187,000)
Term deposits with original maturity over three months		(40,000)	(40,000)
		334,332	357,700
Cash and cash equivalents			
Denominated in:			
RMB		548,460	553,915
HK\$		6,971	16,857
US dollars (US\$)		5,901	13,928
		561,332	584,700

As at 31 December 2021, the Group's cash and bank balances, term deposits and pledged deposits denominated in RMB amounted to RMB548,460,000 (2020: RMB553,915,000). The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances, term deposits and pledged deposits are deposited with creditworthy banks with no recent history of default.



Year ended 31 December 2021

24. OTHER PAYABLES AND ACCRUALS

	2021 RMB'000	2020 RMB'000
Salary and welfare payables	30,594	24,521
Miscellaneous advances from students*	25,486	29,291
Other tax payables	4,546	4,199
Payables for purchases of property, plant and equipment	13,862	2,511
Deposits	2,644	2,579
Scholarships	651	726
Other payables	18,822	19,444
Remaining consideration payable for acquisition of subsidiaries (note 31)	—	5,568
	96,605	88,839

* The balances mainly represented miscellaneous advances received from students for purchasing uniforms and textbooks on their behalf.

The above balances are unsecured and non-interest-bearing. The carrying amounts of other payables and accruals as at the end of the reporting period approximated to their fair values due to their short term maturities.

25. CONTRACT LIABILITIES

Contract liabilities

Details of contract liabilities are as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000	1 January 2020 RMB'000
Tuition fees	99,952	90,775	78,253
Boarding fees	1,199	10,637	9,786
Others	150	7,083	5,257
Total contract liabilities	101,301	108,495	93,296

Contract liabilities include short-term advances received from students. The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year or each tutorial program. Tuition and boarding fees are recognised proportionately over the relevant period of the respective program. The increase in contract liabilities in 2021 and 2020 was mainly due to the increase in short-term advances received from customers in relation to the provision of education services at the end of the year.



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	2021			2020		
		Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current							
Short term bank loan — unsecured	(i)	3.82%–8.30%	2022	177,717	5.3%–12.60%	2021	139,416
Current portion of long term bank loan — secured	(ii)	1.51%–7.00%	2022	82,832	1.51%–4.30%	2021	510
Current portion of other borrowing — secured	(iii)	7.25%–10.55%	2022	59,488	6.20%	2021	4,000
Current portion of other borrowing — unsecured	(iv)	8.32%	2022	15,765	—	—	—
				335,802			143,926
Non-current							
Long term bank loan — secured	(ii)	1.51%–7.00%	2023–2027	27,184	1.51%–4.30%	2022/2027	70,035
Other borrowing — secured	(iii)	7.25%–10.55%	2023–2024	65,880	—	—	—
Other borrowing — unsecured	(iv)	8.32%	2024	17,602	—	—	—
				110,666			70,035
				446,468			213,961

	2021 RMB'000	2020 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	260,549	139,926
In the second year	13,444	69,512
In the third to fifth years, inclusive	13,740	523
	287,733	209,961
Other borrowings repayable:		
Within one year or on demand	75,253	4,000
In the second year	67,436	—
In the third to fifth years, inclusive	16,046	—
	158,735	4,000
	446,468	213,961



Year ended 31 December 2021

26. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Other borrowings of the Group represented borrowings obtained from independent financial institutions.

Details of the guarantees and/or securities provided by the Group and its related parties or third parties in connection with certain bank and other borrowings obtained by the Group are as follows:

- (i) As at 31 December 2021, a bank borrowing of RMB150,000,000 was guaranteed by Mr. Li Yunong and Ms. Cao Yang.

As at 31 December 2021 and 2020, a bank borrowing of RMB13,000,000 was guaranteed by an independent financing guarantee company.

As at 31 December 2021, a bank borrowing of HK\$18,000,000 (equivalent to RMB14,717,000) was unsecured.

As at 31 December 2020, a bank borrowing of RMB20,000,000 was guaranteed by Mr. Li Yunong.

As at 31 December 2020, bank borrowings of RMB88,000,000 and HK\$10,000,000 (equivalent to RMB8,416,000) were unsecured loans.

As at 31 December 2020, a bank borrowing of RMB10,000,000 was pledged by eight kindergartens, namely Blue Crystal, Modern City, Fukang, Qinghui, Tianshan, Jianhua, Lidu and Fumenli. Besides this loan was pledged by the right to charge fees and guaranteed by Zerui Education and Mr. Li Yunong.

- (ii) As at 31 December 2021, a bank borrowing of US\$97,000 (equivalent to RMB616,000) (31 December 2020: US\$114,000 (equivalent to RMB745,000)) was secured by a director's life insurance policy (note 18(iii)).

As at 31 December 2021, a bank borrowing of RMB69,400,000.00 (31 December 2020: RMB69,800,000) was secured by the Group's term deposits amounting to RMB187,000,000.

As at 31 December 2021, a bank borrowing of RMB40,000,000, was guaranteed by Mr. Li Yunong, Ms. Cao Yang and Hebei Zerui, with the pledge of a certain building and the land use right of Shijiazhuang Institute of Technology.

- (iii) As at 31 December 2021, other borrowing of RMB31,633,000 was secured by the Group's deposits amounting to RMB900,000 and guaranteed by Mr. Li Yunong, Sheng Dao Xiang Cheng and Zerui Education.

As at 31 December 2021, other borrowing of RMB43,604,000 was secured by the Group's deposits amounting to RMB788,000 and guaranteed by Mr. Li Yunong and Zerui Education.

As at 31 December 2021, other borrowing of RMB35,786,000 was secured by the Group's deposits amounting to RMB1,000,000, and charging right of Shijiazhuang Institute of Technology, and was guaranteed by Mr. Li Yunong, Sheng Dao Xiang Cheng and Zerui Education.

As at 31 December 2021, other borrowing of RMB14,345,000 was secured by the Group's deposits amounting to RMB1,500,000, and was guaranteed by Mr. Li Yunong, Sheng Dao Xiang Cheng, and Zerui Education.

As at 31 December 2020, other borrowing of RMB4,000,000 was secured by the Group's deposits amounting to RMB1,000,000 and guaranteed by Sheng Dao Xiang Cheng and Zerui Education.

- (iv) As at 31 December 2021, other borrowing of RMB33,367,000 was guaranteed by Mr. Li Yunong and Sheng Dao Xiang Cheng and Zerui Education.



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

27. DEFERRED TAX LIABILITIES

	2021 Fair value adjustments arising from acquisition of subsidiaries RMB'000
At 1 January 2021	1,522
Deferred tax credited to profit or loss during the year (note 10)	(781)
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2021	741

	2020 Fair value adjustments arising from acquisition of subsidiaries RMB'000
At 1 January 2020	981
Acquisition of subsidiaries (note 31)	668
Deferred tax credited to profit or loss during the year (note 10)	(127)
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December 2020	1,522

28. SHARE CAPITAL

	2021 RMB'000	2020 RMB'000
Authorised: 3,000,000,000 ordinary shares of HK\$0.01 each as at 31 December 2021	25,293	25,293
Issued and fully paid: 1,167,216,000 (2020: 1,167,216,000) of ordinary shares	9,801	9,801



Year ended 31 December 2021

28. SHARE CAPITAL (Continued)

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

	Number of shares in issue	Share capital RMB'000
At 1 January 2020	1,220,541,000	10,286
Shares repurchased (note)	(53,325,000)	(485)
At 31 December 2020 and 1 January 2021	1,167,216,000	9,801
At 31 December 2021	1,167,216,000	9,801

Note:

During the year, there were no repurchases of shares by the Company.

During the year ended 31 December 2020, the Company repurchased 40,653,000 of its shares on the Stock Exchange and the board of the Company authorised an independent trustee to repurchase 27,999,000 of its shares on the Stock Exchange for the restricted share unit scheme. Upon completion of the repurchase, the number of the then total repurchased shares was 81,324,000, out of which 53,325,000 repurchased shares were subsequently cancelled and the remaining 27,999,000 repurchased shares were presented as treasury shares amounting to RMB237,000 as at 31 December 2020.

Share-based payment

Details of the Company's share option scheme and RSU Scheme are included in note 29 to the financial statements.

29. SHARE-BASED PAYMENT

(a) Share option scheme

The Company adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme became effective on 4 May 2018 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

Share options granted to a director or chief executive of the Company are subject to approval in advance by the independent non-executive directors.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (1) the nominal value of the share, (2) the Stock Exchange closing price of the Company's shares on the date of grant of the share options; and (3) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of grant.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

29. SHARE-BASED PAYMENT

(a) Share option scheme (Continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are set out below:

31 December 2021

	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	0.630	15,837
Forfeited during the year	0.630	(2,058)
At 31 December	0.630	13,779

31 December 2020

	Weighted average exercise price HK\$ per share	Number of options '000
At 1 January	0.964	5,190
Granted during the year	0.630	15,837
Cancelled during the year	0.964	(5,190)
At 31 December	0.630	15,837

No share options were exercised during the year (2020: Nil).



Year ended 31 December 2021

29. SHARE-BASED PAYMENT (Continued)

(a) Share option scheme (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

31 December 2021 Number of options '000	31 December 2020 Number of options '000	Exercise price HK\$ per share	Exercise period
4,134	4,751	0.630	5 November 2021 to 4 November 2030
4,134	4,751	0.630	5 November 2022 to 4 November 2030
5,511	6,335	0.630	5 November 2023 to 4 November 2030
13,779	15,837		

There were no share options granted during the year (2020: the fair value of the share options granted during the year was RMB3,070,000, equivalent to HK\$3,559,000 (HK\$0.223 each)). Share option expenses recognised by the Group during the year was RMB1,303,000 (2020: RMB270,000) due to the amortisation of the cost related to certain share options granted in prior years.

At the end of the reporting period, the Company had 13,779,000 share options outstanding under the Scheme. The exercise in full of the outstanding share option would, under the present capital structure of the Company, resulting in issue of 13,779,000 additional ordinary shares of the Company and additional share capital of HK\$137,790 and share premium of HK\$8,542,980 (before issue expenses).

Subsequent to the end of the reporting period, no share options were exercised, forfeited and expired.

At the date of approval of these financial statements, the Company had 13,779,000 share options outstanding under the Scheme, which represented approximately 1% of the Company's shares in issue as at that date.



Year ended 31 December 2021

29. SHARE-BASED PAYMENT (Continued)

(b) Restricted Share Unit Scheme

The Company adopted a share award plan (the “Plan”) for the purpose of recognising and rewarding the contribution of eligible participants to the growth and development of the Group, to give incentives to eligible participants in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. The Plan became effective on 14 October 2020 (the “Adoption Date”) and shall be valid and effective for a period of 10 years commencing from the Adoption Date but may be terminated earlier as determined by the Board.

Pursuant to the rules of the Plan, the Plan shall be subject to the administration of the Board and an independent trustee in accordance with the terms of the Plan and the terms of the trust deed. The trustee shall hold the trust fund in accordance with the terms of the trust deed. The trustee may purchase the shares on the Stock Exchange at the prevailing market price (subject to such maximum price as may be from time to time prescribed by the Board), or off the market. In the event that the trustee effects any purchases by off-market transactions, the purchase price for such purchases shall not be higher than the lower of: (i) the closing market price on the date of such purchase, and (ii) the average closing market price for the five preceding trading days on which the shares were traded on the Stock Exchange.

The maximum number of shares to be subscribed for and/or purchased by the trustee by applying the Group’s contribution for the purpose of the Plan shall not exceed 10% of the total number of issued shares as at the Adoption Date. The Board shall not instruct the Trustee to subscribe for and/or purchase any shares for the purpose of the Plan when such subscription and/or purchase will result in such threshold being exceeded. The maximum number of shares which may be subject to an award or awards to a selected participant shall not in aggregate exceed 1% of the issued share capital of the Company as at the Adoption Date.

On 29 December 2020, the Board resolved to approve the initial grant of the restricted share units (“RSUs”) under the Plan to the eligible participants, pursuant to which RSUs of 27,720,000, representing approximately 2.37% of the issued share capital of the Company as at 29 December 2020, shall be granted to 32 selected eligible participants on 29 December 2020. The exercise price under the initial grant is HK\$0.243 per each RSU.



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29. SHARE-BASED PAYMENT (Continued)

(b) Restricted Share Unit Scheme (Continued)

The movements of the Company's shares held for the RSU Scheme during the year ended 31 December 2021 are as follows:

	Number of shares '000	Amount RMB'000
As at 1 January 2021	27,999	18,051
Exercise of share awards	(7,244)	(1,508)
As at 31 December 2021	20,755	16,543

A summary of the particulars of the RSUs granted under the Plan during the year is as follows:

Date of grant	Number of outstanding RSUs granted as at 31 December 2020 '000	Exercise price per share HK\$	Vesting date	Number of Awarded Shares		
				Vested during the year '000	Forfeited during the year '000	Outstanding RSUs granted as at 31 December 2021 '000
29 December 2020	8,316	0.243	29 December 2021	7,244	1,072	—
29 December 2020	8,316	0.243	29 December 2022	—	1,072	7,244
29 December 2020	11,088	0.243	29 December 2023	—	1,429	9,659
	27,720			7,244	3,573	16,903

There were no RSU granted during the year (2020: the fair value of the RSU granted during the year was RMB11,940,000, equivalent to HK\$14,150,000 (HK\$0.513 each)). Share-based payment expenses recognised by the Group during the year was RMB5,481,000 (2020: RMB38,000) due to the amortisation of the cost related to certain RSU granted in prior year.



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

30. 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 on pages 133 to 134 of the financial statements.

Share premium

Share premium can be distributed provided that immediately following the date on which such reserves are proposed to be distributed, the Company would be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Capital reserve

The capital reserve of the Group represents the capital contribution from the then investors or school sponsors of the PRC Operating Entities.

Capital redemption reserve

The capital redemption reserve arises from repurchase of the Company's own ordinary shares on the Stock Exchange. When the repurchased shares are cancelled by the Company, the issued share capital of the Company is reduced by the nominal value of these shares. The premium paid on the repurchase is charged to the share premium.

Statutory surplus reserve

Pursuant to the relevant laws in the PRC, the Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant subsidiaries in the PRC. These reserves include (i) the general 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 can 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, for private schools that require reasonable returns, they are required to appropriate to the development fund not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the schools or procurement or upgrade of educational equipment.

Other reserve

Other reserve mainly represents the difference between the cost of acquisition and the non-controlling interests acquired in the case of acquisition of additional non-controlling interests of subsidiaries.



Year ended 31 December 2021

31. BUSINESS COMBINATIONS

Year ended 31 December 2020

On 20 January 2020, Xin Tian Di Xian, a subsidiary of the Group, acquired 100% of equity interests of Zhe Han for a consideration of RMB50,000 and on 21 December 2020, Hebei Saintach, a subsidiary of the Group, acquired 100% of equity interests of Aidiou Education for a total consideration of RMB27,840,000. Zhe Han and Aidiou Education have been accounted for as subsidiaries of the Group since the acquisition date. The acquisitions were made as part of the Group's strategy to expand its presence in the market of kindergarten education.

The fair values of the identifiable assets and liabilities of Zhe Han and Aidiou Education as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition		
		Aidiou Education RMB'000	Zhe Han RMB'000	Total RMB'000
Property, plant and equipment	13	51	—	51
Other intangible assets	16	2,670	—	2,670
Trade receivables		5	—	5
Prepayments, other receivables and other assets		607	53	660
Cash and bank balances		6,435	202	6,637
Trade payables		(416)	(9)	(425)
Other payables and accruals		(1,199)	(416)	(1,615)
Tax payable		(261)	—	(261)
Deferred tax liability	27	(668)	—	(668)
Total identifiable net assets at fair value		7,224	(170)	7,054
Goodwill on acquisition		20,616	220	20,836
Total purchase consideration		27,840	50	27,890
— Cash paid		22,272	50	22,322
— Cash payable		5,568	—	5,568

None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	Aidiou Education RMB'000	Zhe Han RMB'000	Total RMB'000
Cash consideration paid	(22,272)	(50)	(22,322)
Cash and bank balances acquired	6,435	202	6,637
Net outflow of cash and cash balances included in cash flows from investing activities	(15,837)	152	(15,685)

Since the acquisition, Zhe Han contributed RMB839,000 to the Group's revenue and RMB101,000 to the consolidated profit for the year ended 31 December 2020. As the acquisition of Aidiou Education occurred at a time approaching the year end, its contribution to the Group's revenue and net profit was insignificant.

Had the acquisitions taken place at the beginning of the year, the revenue and net profit of the Group for the year ended 31 December 2020 would have been approximately RMB259,000,000 and RMB81,000,000, respectively.



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

32. 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 RMB33,402,000 (2020: RMB7,421,000) and RMB33,402,000 (2020: RMB7,421,000), respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

2021

	Interest payables included in other payables and accruals RMB'000	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2021	251	213,961	39,153	253,365
Changes from financing cash flows	(24,756)	232,507	(18,613)	189,138
New lease	—	—	33,402	33,402
Interest expense	24,756	—	1,877	26,633
Revision of lease terms	—	—	(11,456)	(11,456)
Decreases due to terminations	—	—	(7,414)	(7,414)
At 31 December 2021	251	446,468	36,949	483,668

2020

	Interest payables included in other payables and accruals RMB'000	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2021	251	143,082	66,694	210,027
Changes from financing cash flows	(9,579)	70,879	(18,841)	42,459
New lease	—	—	7,421	7,421
Interest expense	9,579	—	2,636	12,215
Covid-19-related rent concessions from lessors	—	—	(1,190)	(1,190)
Reassessment and revision of lease terms	—	—	(17,567)	(17,567)
At 31 December 2021	251	213,961	39,153	253,365

(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	2,501	1,824
Within financing activities	18,613	18,841
	21,114	20,665



Year ended 31 December 2021

33. CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities (2020: Nil).

34. 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: Land use right and buildings	162,717	87,973

35. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship of related parties

Name	Relationship
Mr. Li Yunong	Chairman, one of the controlling shareholders of the Group, and son-in-law of Ms. Luo Xinlan
Ms. Luo Xinlan	One of the controlling shareholders of the Group, and mother-in-law of Mr. Li Yunong
Ms. Cao Yang	Wife of Mr. Li Yunong
Lionful Investment Holding Co., Ltd.* ("Lionful Investment Holding")	A company controlled by the controlling shareholders
Lionful Education	A company controlled by the controlling shareholders
河北安信聯行物業服務有限公司石家莊分公司 Hebei Ansince Property Management Co., Ltd. Shijiazhuang Branch*	A company controlled by Mr. Li Yunong
寧波天作工程項目管理有限公司 Ningbo Tianzuo Project Management Co., Ltd.* ("Ningbo Tianzuo")	A company controlled by Mr. Li Yunong
河北友聯恒美智能工程有限公司 Hebei Youlian Hengmei Intelligent Engineering Co., Ltd* ("Youlian Hengmei")	A company controlled by Hebei Ansince Shijiazhuang Branch
邯鄲市美家優寶教育諮詢有限公司 Handan Meijia Youbao Education Consulting Co., Ltd.* ("Meijia Youbao")	A company significantly influenced by Mr. Li Yunong

* The English names of the companies stated above in this note represent the best effort made by the directors to translate their Chinese names as those companies have not been registered with any official English names.



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

35. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Outstanding balances with related parties

Prepayment to a related party

	2021 RMB'000	2020 RMB'000
Lionful Education	155,000	78,750

As at 31 December 2021 and 2020, the prepayment to Lionful Education was for the acquisition of certain land use right and properties for educational purposes. Details of the acquisition are set out in the Group's circulars dated 29 November 2021 and 14 December 2020.

Amounts due from related parties

	2021 RMB'000	2020 RMB'000
Lionful Education	10,534	4,683
Meijia Youbao	500	500
	11,034	5,183

As at 31 December 2021 and 2020, the amount due from Lionful Education represented a service fee receivable arising from the provision of college operation services.

As at 31 December 2021 and 2020, the amount due from Meijia Youbao represented a service fee receivable arising from the provision of kindergarten consulting and management services. In the opinion of the directors, the amounts due are trade in nature and would be settled according to the term agreed mutually in the normal course of business.

The Group evaluated the expected loss rate for related parties by considering the default rates and adjusting for forward-looking macroeconomic data. The expected credit losses were considered as insignificant as at the end of the reporting period.

Amounts due to related parties

	2021 RMB'000	2020 RMB'000
Ningbo Tianzuo	198	198
Youlian Hengmei	55	77
	253	275

As at 31 December 2021 and 2020, the amounts due to related parties represented service fees payable for the construction and repair of certain properties of Shijiazhuang Institute of Technology. In the opinion of the directors, the amounts due are trade in nature and would be settled according to the term agreed in the contract.



Year ended 31 December 2021

35. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(c) Transactions with related parties

Purchases of services from related parties

	Notes	2021 RMB'000	2020 RMB'000
Hebei Ansince Shijiazhuang Branch	(i)	153	164
Youlian Hengmei	(ii)	704	1,222
		857	1,386

Notes:

- (i) Details of the property management services provided by Hebei Ansince Shijiazhuang Branch are set out as follows:

	2021 RMB'000	2020 RMB'000
Property management services	153	164

Hebei Ansince Shijiazhuang Branch provides property management services to Blue Crystal and Qinghui. Service charges were based on prices mutually agreed between the Group and Hebei Ansince Shijiazhuang Branch.

- (ii) Certain decoration and maintenance service contracts were entered into between Shijiazhuang Institute of Technology and Youlian Hengmei, under which Youlian Hengmei decorated and repaired certain properties of Shijiazhuang Institute of Technology.

Purchases of land and buildings from a related party

	2021 RMB'000	2020 RMB'000
Lionful Education	105,000	—

The Group acquired certain properties from Lionful Education based on an asset restructuring agreement which was entered into between the Group and Lionful Education.

(d) Others

- (1) During the year, the Group has provided college operation services to Lionful Education in connection with the operation of the West Campus of 石家莊鐵道大學四方學院 (Shijiazhuang Tiedao University Sifang College) ("Sifang"). Lionful Education has been jointly operating the West Campus of Sifang College with 石家莊鐵道大學 ("Shijiazhuang Tiedao University") ("Tiedao University").

Details of the college operation service income received from Lionful Education for each year are as follows:

	2021 RMB'000	2020 RMB'000
College operation service income	20,868	19,506



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

35. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(d) Others (Continued)

- (2) Other than the college operation service stated above, under the relevant agreements, Shijiazhuang Institute of Technology is responsible for providing the accommodation services to the students enrolled by the West Campus of Sifang College. Accommodation service fees are collected directly from the students and are recognised as income for the year as follows:

	2021 RMB'000	2020 RMB'000
Student accommodation service income [^]	2,546	1,348

[^] Included as part of the college operation service income of the Group as disclosed in note 5 to the financial statements.

- (3) During the year ended 31 December 2020, Hebei Saintach provides kindergarten consulting and management services to Meijia Youbao with details as follows:

	2021 RMB'000	2020 RMB'000
Kindergarten consulting and management services	—	500

In addition, the Group made an advance amounting to RMB30,000,000 through an independent trust fund to Meijia Youbao. Interest income during the current year derived from such an arrangement was RMB1,350,000 (2020: RMB1,350,000).

- (4) During the year, certain trademarks owned by Lionful Investment Holding were used by the Group free of charge.
- (5) During the year, certain bank borrowings of the PRC Operating Entities are guaranteed and secured by certain related parties of the Group. Lionful Education, Mr. Li Yunong and Ms. Cao Yang. Details of those transactions are disclosed in note 26 to the financial statements.

(e) Compensation of key management personnel of the Group:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	1,398	943
Pension scheme contributions	409	198
Equity-settled compensation expense	1,248	206
	3,055	1,347

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



Year ended 31 December 2021

36. FINANCIAL INSTRUMENTS BY CATEGORY

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

2021

Financial assets

	Financial assets at fair value through profit or loss		Total RMB'000
	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	
Trade receivables	—	10,997	10,997
Amounts due from related parties	—	11,034	11,034
Financial assets included in prepayments, other receivables and other assets	—	48,847	48,847
Financial assets at fair value through profit or loss	23,479	—	23,479
Other non-current assets	—	68,776	68,776
Cash and bank balances	—	334,332	334,332
Term deposits	—	40,000	40,000
Pledged deposits	—	187,000	187,000
Other current assets	—	35,015	35,015
	23,479	736,001	759,480

Financial liabilities

	Financial liabilities at fair value through profit or loss		Total RMB'000
	Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	
Other current liabilities	863	—	863
Other non-current liabilities	2,978	—	2,978
Financial liabilities included in other payables and accruals	—	61,465	61,465
Amounts due to related parties	—	253	253
Interest-bearing bank and other borrowings	—	446,468	446,468
	3,841	508,186	512,027



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

36. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2020

Financial assets

	Financial assets at fair value through profit or loss		Total RMB'000
	Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000	
Trade receivables	—	5,619	5,619
Amounts due from related parties	—	5,183	5,183
Financial assets included in prepayments, other receivables and other assets	—	18,745	18,745
Financial assets at fair value through profit or loss	40,893	—	40,893
Other non-current assets	—	65,334	65,334
Cash and bank balances	—	357,700	357,700
Term deposits	—	40,000	40,000
Pledged deposits	—	187,000	187,000
			—
	40,893	679,581	720,474

Financial liabilities

	Financial liabilities at fair value through profit or loss		Total RMB'000
	Designated as such upon initial recognition RMB'000	Financial liabilities at amortised cost RMB'000	
Other current liabilities	5,598	—	5,598
Other non-current liabilities	12,366	—	12,366
Financial liabilities included in other payables and accruals	—	60,119	60,119
Amounts due to related parties	—	275	275
Interest-bearing bank and other borrowings	—	213,961	213,961
	17,964	274,355	292,319



Year ended 31 December 2021

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Financial assets				
Financial assets at fair value through profit or loss	23,479	40,893	23,479	40,893
Other non-current assets	68,776	65,334	68,776	65,334
	92,255	106,227	92,255	106,227
Financial liabilities				
Other current liabilities	863	5,598	863	5,598
Other non-current liabilities	2,978	12,366	2,978	12,366
Interest-bearing bank and other borrowings — non current	110,666	70,035	110,666	70,035
	114,507	87,999	114,507	87,999

Management has assessed that the fair values of cash and bank balances, term deposits, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, other current assets, amounts due from/to related parties, financial liabilities included in other payables and accruals, and the current portion of the interest-bearing bank and other borrowings, approximate to their carrying amounts largely due to the short term maturities of these instruments.

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 other non-current assets and 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 31 December 2021 were assessed to be insignificant.

For the fair value of the unlisted equity investment at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The Group invests in an unlisted investment, which is a convertible bond through a capital management fund. The Group has estimated the fair value of that unlisted investment by using the discounted cash flow valuation model, which is based on the market interest rates of instruments with similar terms and risks.

The Group has estimated the fair value of contingent consideration payable for business combination included in other current liabilities and other non-current liabilities by using the discounted cash flow valuation model, which is based on the market interest rates of instruments with similar terms and risks.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Discounted cash flow method	Discount rate	11.82%–11.91%	1% increase/decrease in discount rate would result in decrease/increase in fair value by RMB36,000/RMB36,000
Financial liabilities at fair value through profit or loss	Discounted cash flow method	Discount rate	6.30%	1% increase/decrease in discount rate would result in decrease/increase in fair value by RMB37,000/RMB37,000

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

The fair value of the insurance at fair value through profit or loss is categorised within Level 3 of the fair value hierarchy which is measured based on significant unobservable inputs and has been estimated based on the surrender value of the policy as disclosed in note 18 to the financial statements. The fair value of the insurance policy is mainly affected by its surrender value as the directors expected the other unobservable inputs such as insurance risk would not have a significant impact on the fair value of the insurance policy. The surrender value of the insurance policy was obtained from the insurance company without any adjustment. The directors believe that the estimated fair value and the related changes in fair values are reasonable, and that they were the most appropriate values at the end of the reporting period.



Year ended 31 December 2021

37. 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:

As at 31 December 2021

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	7,734	—	15,745	23,479
Consideration payable for business combination included in other current liabilities other non-current liabilities	—	—	3,841	3,841
Interest-bearing bank and other borrowings	—	446,468	—	446,468
	7,734	446,468	19,586	473,788

As at 31 December 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	4,646	—	36,247	40,893
Consideration payable for business combination included in other current liabilities other non-current liabilities	—	—	17,964	17,964
Interest-bearing bank and other borrowings	—	213,961	—	213,961
	4,646	213,961	54,211	272,818



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2021 RMB'000	2020 RMB'000
Equity investment at fair value through other comprehensive income:		
At 1 January	—	180
Total losses recognised in other comprehensive income	—	(180)
At 31 December	—	—

	2021 RMB'000	2020 RMB'000
Financial assets at fair value through profit or loss:		
At 1 January	40,893	37,888
Purchases	—	5,282
Total (loss)/gain recognised in the profit or loss included in (other expenses)/ other income	(16,491)	342
Exchange reserve	(923)	(2,619)
At 31 December	23,479	40,893

	2021 RMB'000	2020 RMB'000
Consideration payable for business combination included in other current liabilities and other non-current liabilities:		
At 1 January	17,964	17,332
Satisfied by cash	(6,015)	(179)
Total (gain)/loss recognised in the consolidated statement of profit or loss included in (other income)/other expenses	(8,018)	811
At 31 December	3,841	17,964

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: Nil).



Year ended 31 December 2021

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank and other borrowings and cash and bank balances. The Group has various other financial assets and liabilities such as amounts due from/to related parties, trade receivables, deposits and other receivables and other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

As at 31 December 2021, approximately 3% of the Group's borrowings bore floating rates (31 December 2020: 4%).

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings) and the Group's equity.

Year ended 31 December 2021	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax and equity RMB'000
Hong Kong dollar	50	66
Hong Kong dollar	(50)	(66)

Year ended 31 December 2020	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax and equity RMB'000
Hong Kong dollar	50	42
Hong Kong dollar	(50)	(42)

In the opinion of the directors, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure as at the end of each year did not reflect the exposure during the year.

Credit risk

It is the Group's policy that all schools with which the Group has cooperation and students who wish to receive the Group's services on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debt is not significant.

Since the Group only provides services to recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty or by service nature. There are no significant concentrations of credit risk regarding the trade receivables of the Group.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, amounts due from related parties, other current assets, other non-current assets, deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

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

The maturity profile of the Group's financial liabilities and lease liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	As at 31 December 2021				Carrying amount RMB'000
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000	
Other current liabilities	—	863	—	863	863
Other non-current liabilities	—	—	2,978	2,978	2,978
Financial liabilities included in other payables and accruals	—	61,465	—	61,465	61,465
Amounts due to related parties	253	—	—	253	253
Lease liabilities	—	16,620	23,780	40,400	36,949
Interest-bearing bank and other borrowings	—	359,759	88,878	448,637	446,468
	253	438,707	115,636	554,596	548,976

	As at 31 December 2020				Carrying amount RMB'000
	On demand RMB'000	Within 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000	
Other current liabilities	—	5,598	—	5,598	5,598
Other non-current liabilities	—	—	12,366	12,366	12,366
Financial liabilities included in other payables and accruals	—	60,119	—	60,119	60,119
Amounts due to related parties	275	—	—	275	275
Lease liabilities	—	15,616	30,252	45,868	39,153
Interest-bearing bank and other borrowings	—	154,626	70,716	225,342	213,961
	275	235,959	113,334	349,568	331,472



Year ended 31 December 2021

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business.

The directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the raising of new debts as well as the redemption of the existing debt. The Group's overall strategy remained unchanged during the years ended 31 December 2021 and 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 periods were as follows:

	2021 RMB'000	2020 RMB'000
Total liabilities	688,296	473,123
Total assets	1,374,083	1,143,070
Debt-to-asset ratio	50%	41%



XIV. NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2021

39. 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
NON-CURRENT ASSETS		
Interests in subsidiaries	8,866	2,082
Financial assets at fair value through profit or loss	927	36,247
Other non-current assets	—	5,022
Total non-current assets	9,793	43,351
CURRENT ASSETS		
Due from subsidiaries	173,474	173,242
Prepayments, other receivables and other assets	15,594	15,302
Financial assets at fair value through profit or loss	22,552	4,646
Cash and bank balances	12,037	30,045
Other current assets	4,879	—
Total current assets	228,536	223,235
Total assets	238,329	266,586
CURRENT LIABILITIES		
Other payables and accruals	2,474	1,095
Interest-bearing bank and other borrowings	14,816	8,526
Amount due to a related party	896	922
Total current liabilities	18,186	10,543
NET CURRENT ASSETS	210,350	212,692
TOTAL ASSETS LESS CURRENT LIABILITIES	220,143	256,043
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	517	635
Total non-current liabilities	517	635
Net assets	219,626	255,408
EQUITY		
Share capital	9,801	9,801
Treasury shares	(176)	(237)
Reserves (note)	210,001	245,844
	219,626	255,408



Year ended 31 December 2021

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Capital redemption reserve RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Exchange fluctuation reserve RMB'000	Total reserves RMB'000
Balance at 1 January 2020	311,557	135	1,325	(16,528)	33,929	330,418
Loss for the year	—	—	—	(3,512)	—	(3,512)
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	—	—	—	—	(17,483)	(17,483)
Total comprehensive income for the year	—	—	—	(3,512)	(17,483)	(20,995)
Final 2019 dividend declared	(23,380)	—	—	—	—	(23,380)
Share repurchase	(23,142)	485	—	(485)	—	(23,142)
Repurchase of shares under the restricted share unit scheme	(17,814)	—	—	—	—	(17,814)
Recognition of share-based payment expenses	—	—	757	—	—	757
At 31 December 2020 and 1 January 2021	247,221	620	2,082	(20,525)	16,446	245,844
Loss for the year	—	—	—	(21,715)	—	(21,715)
Other comprehensive income for the year:						
Exchange differences on translation of foreign operations	—	—	—	—	(7,814)	(7,814)
Total comprehensive income for the year	—	—	—	(21,715)	(7,814)	(29,529)
Final 2020 dividend declared	(14,545)	—	—	—	—	(14,545)
Exercise of share awards under the restricted share unit scheme	4,469	—	(3,022)	—	—	1,447
Recognition of share-based payment expenses	—	—	6,784	—	—	6,784
At 31 December 2021	237,145	620	5,844	(42,240)	8,632	210,001

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2022.



XV. DEFINITIONS

“Board”	the board of directors of the Company
“Business Cooperation Agreements”	the business cooperation agreements dated 17 October 2017 entered into by, among others, Sheng Dao Xiang Cheng and the relevant PRC Operating Entities, as amended and/or supplemented from time to time
“Company”, “21st Century Education” or “we”	China 21st Century Education Group Limited, an exempted company incorporated in the Cayman Islands with limited liability on 20 September 2016, with its Shares listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Directors’ Powers of Attorney”	the school director’s power of attorney executed by each of the directors of Shijiazhuang Institute of Technology, Saintach Tutorial Schools and Saintach Kindergartens in favor of Sheng Dao Xiang Cheng dated 17 October 2017
“Double Reduction Opinions”	The Opinions on Further Reducing the Burden of Compulsory Education Students’ Homework and Off-campus Tutoring (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) promulgated by the General Office of the CPC Central Committee and the General Office of the State Council in July 2021
“Education Department of Hebei Province”	an integral department of the provincial government, which is responsible for the education cause in Hebei Province
“Equity Pledge Agreements”	the equity pledge agreements entered into among Sheng Dao Xiang Cheng and equity holders of the relevant PRC Operating Entities in relation to the pledge of equity interest in the relevant PRC Operating Entities, as amended and/or supplemented from time to time
“Exclusive Call Option Agreements”	the exclusive call option agreements entered into by, among others, Sheng Dao Xiang Cheng and the relevant PRC Operating Entities in relation to the exclusive call option of the equity interest and/or school sponsor’s interests, as amended and/or supplemented from time to time
“Exclusive Service Agreements”	the exclusive technical service and management consultancy agreements entered into by and among Sheng Dao Xiang Cheng and the relevant PRC Operating Entities, as amended and/or supplemented from time to time
“Foreign Investment Law”	the Foreign Investment Law of the People’s Republic of China* (中華人民共和國外商投資法) promulgated by the 13th National People’s Congress on 15 March 2019, which became effective on 1 January 2020
“government” or “State”	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
“Group” or “we”	the Company, its subsidiaries and PRC Operating Entities from time to time



“Hangzhou Yimai”	Hangzhou Yimai Enterprise Management Consulting Co., Ltd.* (杭州一脈企業管理諮詢有限責任公司), a limited liability company established under the laws of the PRC on 16 May 2018, as to 70% was controlled by Shijiazhuang Saintach as at the date of this annual report, and one of our PRC Operating Entities
“Hebei Saintach”	Hebei Saintach Education and Technology Co., Ltd.* (河北新天際教育科技有限公司), a limited liability company established under the laws of the PRC on 17 September 2002, one of the Company’s PRC Operating Entities
“Integrated Area”	also known as the Beijing-Tianjin-Hebei integrated area. Its concept was raised according to a national strategic initiative to promote the region’s economic development
“Listing Date”	29 May 2018, being the date of listing of Shares on the Main Board of the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Ningbo Tianzuo”	Ningbo Tianzuo Engineering Project Management Co., Ltd.* (寧波天作工程項目管理有限公司), a company established in the PRC and indirectly controlled by Mr. Li Yunong as to more than 30%
“Peijian Education” or “Zhejiang Peijian”	Zhejiang Peijian Technology Co., Ltd.* (浙江培尖科技有限公司), a limited liability company established under the laws of the PRC on 29 December 2017 and controlled by Zerui Education as to 51% as of the date of this annual report, and one of our PRC Operating Entities
“Peijian Tutorial School(s)”	Chongqing Peijian Tutorial School Limited* (重慶培尖課外培訓學校有限公司) and Hangzhou Huashi Peijian Tutorial School Limited* (杭州華石培尖培訓學校有限公司), which are the PRC Operating Entities
“PRC” or “China”	the People’s Republic of China
“PRC Operating Entities”	Shijiazhuang Saintach, Hebei Saintach, Shijiazhuang Institute of Technology, Saintach Tutorial Schools and Saintach Kindergartens
“private school(s)”	schools established by social organizations or individuals outside national institutions, using non-state financial capital
“Prospectus”	the prospectus issued by the Company for the initial public offering and listing dated 15 May 2018
“Qiaoxi Tutorial School”	Shijiazhuang City Qiaoxi District Bilingual Culture Tutorial School* (石家莊市橋西區雙語文化培訓學校), a private school established under the laws of the PRC on 26 November 2013 of which the school sponsor’s interest is wholly-owned by Mr. Li Yunong and one of the PRC Operating Entities



XV. DEFINITIONS

“Registered Shareholders”	the Shareholders of Zerui Education, namely Mr. Li Yunong and Ms. Luo Xinlan
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC for the time being
“Sainage Investment”	Sainage Investment Limited* (新安投資有限公司), an investment holding limited company established under the laws of the British Virgin Islands on 19 October 2016 and Sainage Investment is wholly-owned by the Company
“Saintach Kindergartens” or “Kindergartens”	Shijiazhuang Qiaoxi District Blue Crystal Saintach Kindergarten* (石家莊市橋西區新天際藍水晶幼兒園), Shijiazhuang Luquan District Fukang Saintach Kindergarten* (石家莊市鹿泉區新天際福康幼兒園), Shijiazhuang Chang’an District Jianhua Saintach Kindergarten* (石家莊市長安區新天際建華幼兒園), Shijiazhuang Qiaoxi District Lidu Saintach Kindergarten* (石家莊市橋西區新天際麗都幼兒園), Shijiazhuang Hightech Industrial Development Zone Tianshan Saintach Kindergarten* (石家莊高新技術產業開發區新天際天山幼兒園), Shijiazhuang Chang’an District Qinghui Saintach Kindergarten* (石家莊市長安區新天際清暉幼兒園), Zhengding County Saintach Kindergarten* (正定縣新天際幼兒園) and Zhengding County Fumenli Saintach Kindergarten* (正定縣新天際福門里幼兒園), which are the PRC Operating Entities
“Saintach Tutorial Centers”	tutorial centers being set up in multiple operating locations which are organized by different Saintach Tutorial Schools
“Saintach Tutorial Schools” or “Tutorial Schools”	Shijiazhuang City Qiaoxi District Bilingual Culture Tutorial School* (石家莊市橋西區雙語文化培訓學校), Shijiazhuang City Chang’an District Saintach Tutorial School* (石家莊市長安區新天際培訓學校), Shijiazhuang Yuhua District Donggang Road Saintach Tutorial School* (石家莊市裕華區東崗路新天際培訓學校), Shijiazhuang City Qiaoxi District Zhicheng Tutorial School* (石家莊市橋西區智城培訓學校), Shijiazhuang City High-tech Zone Saintach Tutorial School* (石家莊市高新區新天際培訓學校) and Shijiazhuang City Xinhua District Huixuan Education Tutorial School* (石家莊市新華區慧軒教育培訓學校), which are the PRC Operating Entities
“school sponsors”	the individual(s) or entity(ies) that funds or holds interests in an educational institution
“School Sponsors’ and Directors’ Rights Entrustment Agreements”	the school sponsors’ and directors’ rights entrustment agreements entered into among the PRC Operating Entities and the respective school sponsors and directors and Sheng Dao Xiang Cheng, as amended and/or supplemented from time to time
“School Sponsors’ Powers of Attorney”	the school sponsor’s power of attorney executed by each of the school sponsors, in favor of Sheng Dao Xiang Cheng, as amended and/or supplemented from time to time
“school year”	the school year for all of our schools, which generally commences on 1 September of each calendar year and ends on 30 June of the next calendar year
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)



“Shareholders’ Power of Attorney”	the power of attorney executed by each of the equity holders of the relevant PRC Operating Entities in favor of Sheng Dao Xiang Cheng, as amended and/or supplemented from time to time
“Shareholders’ Rights Entrustment Agreements”	the shareholders’ rights entrustment agreements entered into among the relevant equity holders and Sheng Dao Xiang Cheng, as amended and/or supplemented from time to time
“Sheng Dao Xiang Cheng”	Sheng Dao Xiang Cheng Education and Technology Co., Ltd.* (河北晟道象成教育科技有限公司), a wholly-foreign owned enterprise established under the laws of PRC on 14 December 2016 and a wholly-owned subsidiary of the Company
“Shijiazhuang Institute of Technology” or “Institute of Technology”	Shijiazhuang Institute of Technology* (石家莊理工職業學院), a junior college established under the laws of the PRC on 1 July 2003 of which school sponsors’ interest are wholly-owned by Zerui Education as at the date of this annual report, and one of our PRC Operating Entities
“Shijiazhuang Saintach” or “Saintach Education”	Shijiazhuang Saintach Education and Technology Co., Ltd.* (石家莊新天際教育科技有限公司), a limited liability company established under the laws of the PRC on 13 July 2011, wholly-owned by Zerui Education as at the date of this annual report, and one of our PRC Operating Entities
“Shinedao Tutorial School(s)”	Shaoxing Shangyu Shinedao Education Tutorial School* (紹興市上虞區學鼎教育培訓學校), Zhoushan Dinghai Shinedao Education Tutorial School* (舟山市定海區學鼎教育培訓學校) and Yuyao Shinedao Education Tutorial School* (余姚市學鼎教育培訓學校), which are the PRC Operating Entities
“Sifang College”	Sifang College of Shijiazhuang Tiedao University* (石家莊鐵道大學四方學院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	collectively, the Business Cooperation Agreements, the Exclusive Service Agreements, the Exclusive Call Option Agreements, the Equity Pledge Agreements, the School Sponsors’ and Directors’ Rights Entrustment Agreements, the School Sponsors’ Powers of Attorney, the Directors’ Powers of Attorney, the Shareholders’ Power of Attorney, the Shareholders’ Rights Entrustment Agreements and the Spouse Undertakings, as amended and/or supplemented from time to time
“Tutoring Hour(s)”	the unit for measuring tutoring time delivered to students, typically representing a duration of 60 minutes for secondary school students and 40 minutes for primary school students
“Xin Tian Di Xian”	Beijing Xin Tian Di Xian Information and Technology Co., Ltd.* (北京新天地線信息技術有限公司), a limited liability company established in the PRC on 6 March 2015, wholly-owned by Zerui Education as at the date of this annual report, and one of our PRC Operating Entities



XV. DEFINITIONS

“Zerui Education” Hebei Zerui Education Technology Co., Ltd.* (河北澤瑞教育科技有限責任公司), a limited liability company established under the laws of the PRC on 12 July 2017, which was owned as to 80.625% by Mr. Li Yunong and 19.375% by Ms. Luo Xinlan as at the date of this annual report, and one of our PRC Operating Entities

“%” per cent.

Certain amounts and percentage figures included herein have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations marked with “*”, the Chinese names shall prevail.



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